

CITY OF TOLEDO
Lincoln County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2008

CITY OF TOLEDO
Lincoln County, Oregon

CITY OFFICIALS

June 30, 2008

Mayor

Jim Chambers
565 NW Aspen Street
Toledo, Oregon 97391

Council Members

Rod Cross, President
931 NE Alder Street
Toledo, Oregon 97391

Sarah Cole
1315 NE Wagon Road
Toledo, Oregon 97391

Wes Chadwick
681 SE 2nd Street
Toledo, Oregon 97391

Mark Camara
485 N Main Street
Toledo, Oregon 97391

Ron Beckham
1105 NE Canyon Drive
Fossil, Oregon 97830

Robert Emmett
1445 NE Arcadia Drive
Fossil, Oregon 97830

City Manager

Jim Minard
(July – December 2007)

Pete Wall
(December 2007 – June 1, 2008)

Michelle Amberg
(June 2008)

City Recorder

Teresa Jenkins

City Treasurer

Polly Chavarria

City Attorney

Jim Ruggeri

CITY OF TOLEDO
Lincoln County, Oregon

TABLE OF CONTENTS

June 30, 2008

Page
Number

INTRODUCTORY SECTION

Title Page
City Officials
Table of Contents

FINANCIAL SECTION

| | |
|---|-------|
| Independent Auditor's Report | 1-2 |
| Management's Discussion and Analysis..... | 3-9 |
| Basic Financial Statements | |
| Government-Wide Financial Statements | |
| Statement of Net Assets | 10 |
| Statement of Activities..... | 11 |
| Fund Financial Statements | |
| Balance Sheet – Governmental Funds | 12 |
| Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities..... | 13 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds..... | 14 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 15 |
| Statement of Net Assets – Proprietary Funds | 16 |
| Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds..... | 17 |
| Statement of Cash Flows – Proprietary Funds | 18-19 |
| Notes to Basic Financial Statements | 20-39 |
| Required Supplementary Information | |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – | |
| General Fund | 40 |
| Street Fund..... | 41 |
| Combining and Individual Fund Statements and Schedules | |
| Combining Balance Sheet – Nonmajor Governmental Funds | 42 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds | 43 |
| Combining Statement of Net Assets – Internal Service Funds | 44 |
| Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds..... | 45 |
| Combining Statement of Cash Flows – Internal Service Funds..... | 46-47 |

| | <u>Page Number</u> |
|--|------------------------|
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – | |
| Forfeiture Revenue Fund | 48 |
| Grants Fund | 49 |
| Projects Fund | 50 |
| HUD Fund | 51 |
| Solid Waste Fund | 52 |
| 911 System Fund | 53 |
| General Reserve Fund | 54 |
| Transportation Systems Development Fund | 55 |
| Library Reserve Fund | 56 |
| Footpaths and Bicycle Trail Fund | 57 |
| Insurance Reserve Fund | 58 |
| Retirement Reserve Fund | 59 |
| Street Reserve Fund | 60 |
| Fire Station Construction Fund | 61 |
| Debt Service Fund | 62 |
| Schedule of Revenues, Expenses, and Changes in Fund Net Assets – Budget and Actual – | |
| Water Fund | 63 |
| Sewer Fund | 64 |
| Water Reserve Fund | 65 |
| Water System Development Fund | 66 |
| Sewer Reserve Fund | 67 |
| Sewer System Development Fund | 68 |
| Public Works Fund | 69 |
| Public Works Equipment Reserve Fund | 70 |

OTHER FINANCIAL SCHEDULES

| | |
|---|----|
| Schedule of Property Tax Transactions | 71 |
|---|----|

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY FEDERAL AND STATE REGULATIONS

| | |
|---|-------|
| Disclosures and Independent Auditor's Comments Required by the Minimum Standards for Audits of Oregon Municipal Corporations | 72-73 |
| Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 74-75 |

FINANCIAL SECTION



Koontz & Perdue, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Honorable Jim Chambers, Mayor
and Members of the City Council
City of Toledo
Toledo, Oregon 97391

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Toledo, Lincoln County, Oregon, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Toledo, Lincoln County, Oregon as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2008 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 9 and budgetary comparison information on pages 40 through 41 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures to the management's discussion and analysis, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules and other financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Koontz & Perdue, P.C.

By: 

Albany, Oregon
December 10, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF TOLEDO
Lincoln County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

As management of the City of Toledo, Oregon, we offer readers this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. It should be read in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2008, total net assets of the City of Toledo amounted to \$18,216,555. Of this amount, \$14,250,003 was invested in capital assets, net of related debt. The remaining balance included \$857,328 restricted for various purposes, and \$3,109,224 of unrestricted net assets.
- At June 30, 2008, the City's governmental funds reported combined ending fund balances of \$2,132,987.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Toledo's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, and culture and recreation. The business-type activities of the City include water and sewer services.

The government-wide financial statements can be found on pages 10 through 11 of this report.

CITY OF TOLEDO
Lincoln County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements

The *fund financial statements* are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. All of the funds of the City of Toledo can be divided into two categories: governmental funds and proprietary funds.

□ **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term* inflows and outflows of available resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 17 governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances for the General and Street Funds, both of which are considered to be major funds. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Toledo adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their respective budgets.

The basic governmental fund financial statements can be found on pages 12 through 15 of this report.

CITY OF TOLEDO
Lincoln County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

□ **Proprietary Funds**

Proprietary funds are used to account for a government's business-type activities. The City maintains eight proprietary funds, including six enterprise funds and two internal service funds.

Enterprise funds are used to report the same functions presented in the governmental activities, only in more detail. The City uses the enterprise funds to account for its water and sewer utility operations.

Internal service funds serve as an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses the internal service funds to account for its public works. Because these services predominantly benefit governmental functions, rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 16 through 19 of this report.

Notes to the Financial Statements

The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 39 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes budgetary comparison information for the General and Street Funds. This required supplementary information can be found on pages 40 through 41 of this report.

The combining statements referred to earlier, in connection with nonmajor governmental and proprietary funds, are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 42 through 70 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. At June 30, 2008, the City's assets exceeded liabilities by \$18,216,555.

A large portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF TOLEDO
Lincoln County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

City's Net Assets

At the end of the current fiscal year, the City was able to report positive balances in all categories of net assets. The City's net assets increased by \$8,848 during the current fiscal year. This increase is primarily due to an increase in charges for utility services.

Condensed statement of net assets information is shown below.

Condensed Statement of Net Assets

| | Governmental Activities | | Business-Type Activities | | Totals | |
|--|-------------------------|---------------|--------------------------|--------------|---------------|---------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Assets | | | | | | |
| Current and other assets | \$ 3,297,945 | \$ 3,065,678 | \$ 1,067,428 | \$ 980,672 | \$ 4,365,373 | \$ 4,046,350 |
| Net capital assets | 10,427,633 | 10,532,954 | 8,490,946 | 8,769,264 | 18,918,579 | 19,302,218 |
| Total assets | 13,725,578 | 13,598,632 | 9,558,374 | 9,749,936 | 23,283,952 | 23,348,568 |
| Liabilities | | | | | | |
| Current liabilities | 374,719 | 219,289 | 171,120 | 159,626 | 545,839 | 378,915 |
| Noncurrent liabilities | 2,219,979 | 2,431,145 | 2,301,579 | 2,330,801 | 4,521,558 | 4,761,946 |
| Total liabilities | 2,594,698 | 2,650,434 | 2,472,699 | 2,490,427 | 5,067,397 | 5,140,861 |
| Net assets | | | | | | |
| Invested in capital assets, net of related debt | 8,089,857 | 10,045,491 | 6,160,146 | 6,410,629 | 14,250,003 | 16,456,120 |
| Restricted for various purposes | 32,922 | 43,829 | 824,406 | 392,485 | 857,328 | 436,314 |
| Unrestricted | 3,008,101 | 858,878 | 101,123 | 456,395 | 3,109,224 | 1,315,273 |
| Total net assets | \$ 11,130,880 | \$ 10,948,198 | \$ 7,085,675 | \$ 7,259,509 | \$ 18,216,555 | \$ 18,207,707 |

City's Changes in Net Assets

The condensed statement of activities information shown on the following page explains changes in net assets.

CITY OF TOLEDO
Lincoln County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Net Assets

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Totals</u> | |
|--|--------------------------------|----------------------|---------------------------------|---------------------|----------------------|----------------------|
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Program revenues | | | | | | |
| Charges for services | \$ 836,902 | \$ 205,014 | \$ 1,452,754 | \$ 1,251,023 | \$ 2,289,656 | \$ 1,456,037 |
| Operating grants and contributions | 7,452 | 4,000 | - | - | 7,452 | 4,000 |
| Capital grants and contributions | <u>39,685</u> | <u>93,878</u> | <u>17,457</u> | <u>-</u> | <u>57,142</u> | <u>93,878</u> |
| Total program revenues | <u>884,039</u> | <u>302,892</u> | <u>1,470,211</u> | <u>1,251,023</u> | <u>2,354,250</u> | <u>1,553,915</u> |
| General revenues | | | | | | |
| Property taxes - general | 1,465,429 | 1,570,781 | - | - | 1,465,429 | 1,570,781 |
| Property taxes - debt service | 142,890 | 396,742 | - | - | 142,890 | 396,742 |
| Franchise taxes | 493,514 | - | - | - | 493,514 | - |
| Motor fuel taxes | 169,218 | - | - | - | 169,218 | - |
| Alcohol/cigarette taxes | 48,031 | - | - | - | 48,031 | - |
| Privilege taxes | 27,993 | - | - | - | 27,993 | - |
| Unrestricted grants and contributions | 35,952 | - | - | - | 35,952 | - |
| Investment earnings | 95,803 | 112,388 | 39,681 | 44,946 | 135,484 | 157,334 |
| Rents and leases | 44,343 | - | 7,560 | - | 51,903 | - |
| Intergovernmental | - | 521,652 | - | - | - | 521,652 |
| Miscellaneous | 71,033 | 128,676 | 17,839 | 20,989 | 88,872 | 149,665 |
| Gain (loss) on sale of assets | <u>47,078</u> | <u>59,614</u> | <u>-</u> | <u>-</u> | <u>47,078</u> | <u>59,614</u> |
| Total general revenues | <u>2,641,284</u> | <u>2,789,853</u> | <u>65,080</u> | <u>65,935</u> | <u>2,706,364</u> | <u>2,855,788</u> |
| Transfers | <u>648,621</u> | <u>-</u> | <u>(648,621)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total revenues | <u>4,173,944</u> | <u>3,092,745</u> | <u>886,670</u> | <u>1,316,958</u> | <u>5,060,614</u> | <u>4,409,703</u> |
| Program expenses | | | | | | |
| General government | 1,682,834 | 993,373 | - | - | 1,682,834 | 993,373 |
| Public safety | 1,535,491 | 1,118,675 | - | - | 1,535,491 | 1,118,675 |
| Highways and streets | 242,252 | 101,642 | - | - | 242,252 | 101,642 |
| Community development | - | 170,822 | - | - | - | 170,822 |
| Culture and recreation | 440,395 | 416,594 | - | - | 440,395 | 416,594 |
| Interest on long-term debt | 90,290 | - | - | - | 90,290 | - |
| Depreciation, exclusive of direct | - | 411,704 | - | - | - | 411,704 |
| Water | - | - | 404,633 | 991,653 | 404,633 | 991,653 |
| Sewer | - | - | 655,871 | 1,138,507 | 655,871 | 1,138,507 |
| Total program expenses | <u>3,991,262</u> | <u>3,212,810</u> | <u>1,060,504</u> | <u>2,130,160</u> | <u>5,051,766</u> | <u>5,342,970</u> |
| Change in net assets | 182,682 | (120,065) | (173,834) | (813,202) | 8,848 | (933,267) |
| Net assets - beginning of year, as restated | <u>10,948,198</u> | <u>11,068,263</u> | <u>7,259,509</u> | <u>8,072,711</u> | <u>18,207,707</u> | <u>19,140,974</u> |
| Net assets - end of year | <u>\$ 11,130,880</u> | <u>\$ 10,948,198</u> | <u>\$ 7,085,675</u> | <u>\$ 7,259,509</u> | <u>\$ 18,216,555</u> | <u>\$ 18,207,707</u> |

CITY OF TOLEDO
Lincoln County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,132,987. Of this amount, \$875,450 constitutes *unreserved fund balance* which is available for spending at the City's discretion.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved ending fund balance of the General Fund was \$875,836.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the proprietary funds at year-end amounted to \$7,085,675. Of this amount, \$6,160,146 was invested in capital assets. The remaining balance included \$824,406 restricted for various purposes and \$101,123 of unrestricted net assets.

BUDGETARY HIGHLIGHTS

Budget amounts shown in the financial statements reflect the original budget amounts and two appropriation transfers.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental activities and business-type activities as of June 30, 2008 amounted to \$10,427,633 and \$8,490,946, net of accumulated depreciation, respectively. This investment in capital assets includes land, buildings and structures, equipment and vehicles, and infrastructure. The total depreciation expense related to the City's investment in capital assets for its governmental activities and business-type activities during the current fiscal year was \$496,002 and \$363,017, respectively.

Additional information on the City's capital assets can be found in Note III-D on pages 31 through 33 of this report.

CITY OF TOLEDO
Lincoln County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$4,668,576. This amount is comprised of general obligation bonds, a loan payable, and revenue bonds. The City's total debt decreased by \$137,518 during the current fiscal year.

Additional information on the City's long-term debt can be found in Note III-G on pages 35 through 36 of this report.

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

At the time these financial statements were prepared and audited, the City was aware of several circumstances that could affect its future financial health:

- Interest rates on investments are remaining fairly steady and are projected to be more than 5%.
- Cautious optimism for a continuation of the modest economic recovery.
- Property tax revenue is anticipated to stabilize or show very modest growth.
- Health insurance benefits will continue to increase above inflation.
- The City's future PERS rates are expected to rise. However, the increases above 6.3% will be absorbed by the Retirement Reserve Fund, which was established to offset future increases. As a result, the increased rates will not directly impact the General Fund. The Retirement Reserve Fund had an approximated balance of \$164,000 at the end of the 2006-2007 fiscal year.
- Due to increasing costs for personnel, health insurance, and energy, the City will need to pursue revenue increases to balance the General Fund operating budget.
- In order to cover operating costs and provide some transfers to reserves, increases in water and sewer utility rates will be needed. Since there have not been increases in these rates for several years, new rates will be based on the consumer price index over that timeframe.

All of these factors were considered in preparing the City's budget for fiscal year 2008-2009.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning any of the information provided in the report or requests for additional information should be addressed to the City Manager at the following address: P.O. Box 220, Toledo, Oregon 97391.

BASIC FINANCIAL STATEMENTS

CITY OF TOLEDO
Lincoln County, Oregon

STATEMENT OF NET ASSETS

June 30, 2008

| ASSETS | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|----------------------|
| Current assets | | | |
| Cash and cash equivalents | \$ 2,085,769 | \$ 847,819 | \$ 2,933,588 |
| Undistributed taxes with county | 15,830 | - | 15,830 |
| Investments | 82,617 | - | 82,617 |
| Receivables, net | 607,019 | 148,057 | 755,076 |
| Note receivable, current portion | 39,928 | - | 39,928 |
| Inventories | - | 71,552 | 71,552 |
| Restricted assets | | | |
| Cash and cash equivalents | <u>17,203</u> | <u>-</u> | <u>17,203</u> |
| Total current assets | 2,848,366 | 1,067,428 | 3,915,794 |
| Note receivable, less current portion | 449,579 | - | 449,579 |
| Capital assets, net of accumulated depreciation | <u>10,427,633</u> | <u>8,490,946</u> | <u>18,918,579</u> |
| Total assets | <u>13,725,578</u> | <u>9,558,374</u> | <u>23,283,952</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | 77,834 | 14,944 | 92,778 |
| Compensated absences | 161,885 | 26,682 | 188,567 |
| Accrued interest | - | 81,816 | 81,816 |
| Deposits | 17,203 | 18,457 | 35,660 |
| Long-term debt, current portion | <u>117,797</u> | <u>29,221</u> | <u>147,018</u> |
| Total current liabilities | 374,719 | 171,120 | 545,839 |
| Noncurrent liabilities | | | |
| Long-term debt, less current portion | <u>2,219,979</u> | <u>2,301,579</u> | <u>4,521,558</u> |
| Total liabilities | <u>2,594,698</u> | <u>2,472,699</u> | <u>5,067,397</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 8,089,857 | 6,160,146 | 14,250,003 |
| Restricted for | | | |
| System development | 32,922 | 795,185 | 828,107 |
| Debt service | - | 29,221 | 29,221 |
| Unrestricted | <u>3,008,101</u> | <u>101,123</u> | <u>3,109,224</u> |
| Total net assets | <u>\$ 11,130,880</u> | <u>\$ 7,085,675</u> | <u>\$ 18,216,555</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF TOLEDO
Lincoln County, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

| <u>Functions/Programs</u> | <u>Expenses</u> | Program Revenues | | |
|--|---------------------|---------------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Governmental activities | | | | |
| General government | \$ 1,682,834 | \$ 290,277 | \$ 4,000 | \$ 14,685 |
| Public safety | 1,535,491 | 420,499 | 1,310 | - |
| Highways and streets | 242,252 | - | - | 25,000 |
| Culture and recreation | 440,395 | 126,126 | 2,142 | - |
| Interest on long-term debt | 90,290 | - | - | - |
| | <u>\$ 3,991,262</u> | <u>\$ 836,902</u> | <u>\$ 7,452</u> | <u>\$ 39,685</u> |
| Business-type activities | | | | |
| Water | \$ 404,633 | \$ 778,956 | \$ - | \$ 17,457 |
| Sewer | 655,871 | 673,798 | - | - |
| | <u>\$ 1,060,504</u> | <u>\$ 1,452,754</u> | <u>\$ -</u> | <u>\$ 17,457</u> |
| General revenues | | | | |
| Property taxes levied for general purposes | | | | |
| Property taxes levied for debt service | | | | |
| Franchise taxes | | | | |
| Motor fuel taxes | | | | |
| Alcohol/cigarette taxes | | | | |
| Privilege taxes | | | | |
| Unrestricted grants and contributions | | | | |
| Investment earnings | | | | |
| Rents and leases | | | | |
| Miscellaneous | | | | |
| Gain (loss) on sale of assets | | | | |
| Total general revenues | | | | |
| Transfers | | | | |
| Change in net assets | | | | |
| Net assets - beginning, as restated | | | | |
| Net assets - ending | | | | |

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and
Changes in Net Assets

| Governmental Activities | Business-Type Activities | Totals |
|----------------------------|-----------------------------|----------------------|
| \$ (1,373,872) | \$ - | \$ (1,373,872) |
| (1,113,682) | - | (1,113,682) |
| (217,252) | - | (217,252) |
| (312,127) | - | (312,127) |
| <u>(90,290)</u> | <u>-</u> | <u>(90,290)</u> |
| <u>(3,107,223)</u> | <u>-</u> | <u>(3,107,223)</u> |
| - | 391,780 | 391,780 |
| <u>-</u> | <u>17,927</u> | <u>17,927</u> |
| - | 409,707 | 409,707 |
| <u>-</u> | <u>-</u> | <u>-</u> |
| 1,465,429 | - | 1,465,429 |
| 142,890 | - | 142,890 |
| 493,514 | - | 493,514 |
| 169,218 | - | 169,218 |
| 48,031 | - | 48,031 |
| 27,993 | - | 27,993 |
| 35,952 | - | 35,952 |
| 95,803 | 39,681 | 135,484 |
| 44,343 | 7,560 | 51,903 |
| 71,033 | 17,839 | 88,872 |
| <u>47,078</u> | <u>-</u> | <u>47,078</u> |
| <u>2,641,284</u> | <u>65,080</u> | <u>2,706,364</u> |
| <u>648,621</u> | <u>(648,621)</u> | <u>-</u> |
| 182,682 | (173,834) | 8,848 |
| <u>10,948,198</u> | <u>7,259,509</u> | <u>18,207,707</u> |
| <u>\$ 11,130,880</u> | <u>\$ 7,085,675</u> | <u>\$ 18,216,555</u> |

CITY OF TOLEDO
Lincoln County, Oregon

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2008

| | General Fund | Street Fund | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------|-----------------|----------------|--------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 755,099 | \$ 130,366 | \$ 1,073,912 | \$ 1,959,377 |
| Undistributed taxes with county | 14,605 | - | 1,225 | 15,830 |
| Investments | 82,617 | - | - | 82,617 |
| Accounts receivable | 431,304 | 26,063 | 28,413 | 485,780 |
| Property taxes receivable | 105,490 | - | 9,506 | 114,996 |
| Cash - restricted | 17,203 | - | - | 17,203 |
| Total assets | \$ 1,406,318 | \$ 156,429 | \$ 1,113,056 | \$ 2,675,803 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 67,283 | \$ 2,727 | \$ 1,303 | \$ 71,313 |
| Deposits | 17,203 | - | - | 17,203 |
| Deferred revenue | 445,996 | - | 8,304 | 454,300 |
| Total liabilities | 530,482 | 2,727 | 9,607 | 542,816 |
| Fund balances | | | | |
| Reserved for | | | | |
| Special projects | - | 153,702 | 1,070,913 | 1,224,615 |
| Systems development | - | - | 32,922 | 32,922 |
| Unreserved | 875,836 | - | (386) | 875,450 |
| Total fund balances | 875,836 | 153,702 | 1,103,449 | 2,132,987 |
| Total liabilities and fund balances | \$ 1,406,318 | \$ 156,429 | \$ 1,113,056 | \$ 2,675,803 |

The accompanying notes are an integral part of these financial statements.

CITY OF TOLEDO
Lincoln County, Oregon

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**

June 30, 2008

| | | |
|---|--------------------|-----------------------------|
| Total fund balances | | \$ 2,132,987 |
| <p>Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds:</p> | | |
| Cost | 13,727,974 | |
| Accumulated depreciation | <u>(3,300,341)</u> | 10,427,633 |
| <p>The note receivable is not available as a current financial resource and, therefore, is not reported as an asset in the governmental funds</p> | | |
| | | 489,507 |
| <p>Property tax revenue is recognized in the net assets of governmental activities when the taxes are levied; however, in the governmental fund statements, it is recognized when available to be used for current year operations. Taxes not collected within 60 days of the end of the year are not considered available to pay for current year operations and are therefore not reported as revenue in the governmental funds.</p> | | |
| | | 96,273 |
| <p>Court fines and fees are recognized as revenue in the net assets of governmental activities when the fines are assessed; however, in the governmental fund statements, it is recognized when available to be used for current year operations. Court fines and fees not collected within 45 days of the end of the year are not considered available to pay for current year operations and are therefore not reported as revenue in the governmental funds.</p> | | |
| | | 358,027 |
| <p>Internal service funds are used by management to charge the costs of public works to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.</p> | | |
| | | 126,114 |
| <p>Long-term liabilities are not due or payable in the current period and are therefore not reported in the governmental funds. Interest on long-term debt is not accrued in the governmental funds, but rather, is recognized as an expenditure when due.</p> | | |
| <p>These liabilities consist of:</p> | | |
| Compensated absences payable | (161,885) | |
| Bonds payable | (1,900,000) | |
| Loans payable | <u>(437,776)</u> | <u>(2,499,661)</u> |
| Net assets of governmental activities | | <u>\$ 11,130,880</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF TOLEDO
Lincoln County, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2008

| | <u>General Fund</u> | <u>Street Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|------------------------|---|---|
| REVENUES | | | | |
| Taxes | | | | |
| Property | \$ 1,465,429 | \$ - | \$ 134,586 | 1,600,015 |
| Franchise | 246,757 | 246,757 | - | 493,514 |
| Motor fuel | - | 167,526 | 1,692 | 169,218 |
| Alcohol | 42,001 | - | - | 42,001 |
| Cigarette | 6,030 | - | - | 6,030 |
| Privilege | - | - | 27,993 | 27,993 |
| Licenses, permits, and fees | 101,183 | - | 5,629 | 106,812 |
| Loan repayments | - | - | 36,510 | 36,510 |
| Charges for services | 546,625 | - | - | 546,625 |
| State revenue sharing | 35,952 | - | - | 35,952 |
| Fines | 51,809 | - | - | 51,809 |
| Grants | 1,310 | 25,000 | 20,827 | 47,137 |
| Investment earnings | 38,943 | 4,728 | 47,384 | 91,055 |
| Rents and leases | 83,201 | - | 6,100 | 89,301 |
| Other revenue | <u>15,237</u> | <u>12,806</u> | <u>23,670</u> | <u>51,713</u> |
| Total revenues | <u>2,634,477</u> | <u>456,817</u> | <u>304,391</u> | <u>3,395,685</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 857,201 | - | 60,317 | 917,518 |
| Public safety | 1,335,891 | - | 76,033 | 1,411,924 |
| Highways and streets | - | 96,903 | 12,710 | 109,613 |
| Culture and recreation | 405,332 | - | 71,351 | 476,683 |
| Debt service | - | - | 150,290 | 150,290 |
| Capital outlay | <u>23,344</u> | <u>47,247</u> | <u>30,343</u> | <u>100,934</u> |
| Total expenditures | <u>2,621,768</u> | <u>144,150</u> | <u>401,044</u> | <u>3,166,962</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>12,709</u> | <u>312,667</u> | <u>(96,653)</u> | <u>228,723</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 239,360 | - | 168,245 | 407,605 |
| Transfers out | (127,303) | (282,786) | (38,350) | (448,439) |
| Sale of capital assets | <u>-</u> | <u>-</u> | <u>49,573</u> | <u>49,573</u> |
| Total other financing sources (uses) | <u>112,057</u> | <u>(282,786)</u> | <u>179,468</u> | <u>8,739</u> |
| Net change in fund balances | 124,766 | 29,881 | 82,815 | 237,462 |
| Fund balances - beginning, as restated | <u>751,070</u> | <u>123,821</u> | <u>1,020,634</u> | <u>1,895,525</u> |
| Fund balances - ending | <u>\$ 875,836</u> | <u>\$ 153,702</u> | <u>\$ 1,103,449</u> | <u>\$ 2,132,987</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF TOLEDO
Lincoln County, Oregon

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

Net change in fund balances \$ 237,462

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and are reported as depreciation expense.

| | | |
|---|----------------|-----------|
| Depreciation expense recorded in the current year | (496,002) | |
| Capital outlay expenditures | <u>318,391</u> | (177,611) |

Long-term debt proceeds are reported as other financing sources in the governmental funds. In the statement of net assets, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net assets.

| | |
|---------------------|---------|
| Debt principal paid | 109,687 |
|---------------------|---------|

Collections on the note receivable are reported as resources in the governmental funds, but offset against the long-term asset in the statement of net assets and activities.

(44,958)

The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) increases net assets.

(2,495)

Some expenses reported in the statement of activities do not require the use of current financial resources and are therefore not reported as expenditures in the governmental funds:

| | |
|----------------------|----------|
| Compensated absences | (36,188) |
|----------------------|----------|

Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the statement of activities, property taxes are recognized when levied.

| | |
|----------------------------|---------|
| Change in deferred revenue | 103,450 |
|----------------------------|---------|

Internal service funds are used by management to charge the costs of public works that benefit the entire city. These services are consolidated with governmental activities in the statement of activities.

(6,665)

Change in net assets \$ 182,682

The accompanying notes are an integral part of these financial statements.

CITY OF TOLEDO
Lincoln County, Oregon

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

June 30, 2008

| | Business-Type Activities - Enterprise Funds | | |
|---|--|--------------|------------------|
| | Water | Sewer | Water Reserve |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 71,830 | \$ - | \$ 271,878 |
| Receivable, net | 72,951 | 75,106 | - |
| Inventory | 63,471 | 8,081 | - |
| Total current assets | 208,252 | 83,187 | 271,878 |
| Capital assets, net of accumulated depreciation | 1,505,278 | 6,985,668 | - |
| Total assets | 1,713,530 | 7,068,855 | 271,878 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Book overdraft | - | 19,196 | - |
| Accounts payable | 10,877 | 4,067 | - |
| Accrued interest payable | - | 81,816 | - |
| Compensated absences | 11,127 | 15,555 | - |
| Deposits | 18,457 | - | - |
| Current portion of long-term debt | - | 29,221 | - |
| Total current liabilities | 40,461 | 149,855 | - |
| Noncurrent liabilities | | | |
| Long-term debt | - | 2,301,579 | - |
| Total liabilities | 40,461 | 2,451,434 | - |
| NET ASSETS (DEFICIT) | | | |
| Invested in capital assets, net of related debt | 1,505,278 | 4,654,868 | - |
| Restricted for | | | |
| System development | - | - | 271,878 |
| Debt service | - | 29,221 | - |
| Unrestricted | 167,791 | (66,668) | - |
| Total net assets | \$ 1,673,069 | \$ 4,617,421 | \$ 271,878 |

The accompanying notes are an integral part of these financial statements.

| Business-Type Activities - Enterprise Funds | | Nonmajor Enterprise Fund | Total Enterprise Funds | Governmental Activities - Internal Service Funds |
|--|-------------------|--------------------------------|------------------------------|---|
| Water System Development | Sewer Reserve | Sewer System Development | | |
| \$ 218,797 | \$ 248,152 | \$ 56,358 | \$ 867,015 | \$ 126,392 |
| - | - | - | 148,057 | 6,243 |
| - | - | - | 71,552 | - |
| 218,797 | 248,152 | 56,358 | 1,086,624 | 132,635 |
| - | - | - | 8,490,946 | 521,715 |
| 218,797 | 248,152 | 56,358 | 9,577,570 | 654,350 |
| - | - | - | 19,196 | - |
| - | - | - | 14,944 | 6,521 |
| - | - | - | 81,816 | - |
| - | - | - | 26,682 | 21,489 |
| - | - | - | 18,457 | - |
| - | - | - | 29,221 | - |
| - | - | - | 190,316 | 28,010 |
| - | - | - | 2,301,579 | - |
| - | - | - | 2,491,895 | 28,010 |
| - | - | - | 6,160,146 | - |
| 218,797 | 248,152 | 56,358 | 795,185 | - |
| - | - | - | 29,221 | - |
| - | - | - | 101,123 | 626,340 |
| <u>\$ 218,797</u> | <u>\$ 248,152</u> | <u>\$ 56,358</u> | <u>\$ 7,085,675</u> | <u>\$ 626,340</u> |

CITY OF TOLEDO
Lincoln County, Oregon

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

For the Year Ended June 30, 2008

| | Business-Type Activities - Enterprise Funds | | |
|---|--|---------------------|-------------------|
| | Water | Sewer | Water Reserve |
| Operating revenues | | | |
| Charges for sales and services | | | |
| Water sales | \$ 482,519 | \$ - | \$ - |
| Water sales - Seal Rock | 247,098 | - | - |
| Sewer charges pledged as security for revenue bonds | - | 29,221 | - |
| Sewer charges - unpledged | - | 644,577 | - |
| Fees and charges | 25,825 | - | - |
| Rents and leases | 7,560 | - | - |
| Total operating revenues | <u>763,002</u> | <u>673,798</u> | <u>-</u> |
| Operating expenses | | | |
| Cost of sales and services | 269,387 | 280,761 | 17,135 |
| Administration | 1,203 | 2,003 | - |
| Depreciation | 116,908 | 246,109 | - |
| Total operating expenses | <u>387,498</u> | <u>528,873</u> | <u>17,135</u> |
| Operating income (loss) | <u>375,504</u> | <u>144,925</u> | <u>(17,135)</u> |
| Nonoperating revenues (expenses) | | | |
| Intergovernmental | - | - | 17,457 |
| Investment earnings | 2,678 | 418 | 13,696 |
| Other income | 859 | 2,991 | 12,239 |
| Capital outlay | - | - | - |
| Interest expense | - | (123,350) | - |
| Total nonoperating revenues (expenses) | <u>3,537</u> | <u>(119,941)</u> | <u>43,392</u> |
| Income (loss) before contributions and transfers | 379,041 | 24,984 | 26,257 |
| Capital contributions | 96,447 | 27,375 | - |
| Transfers in | - | - | - |
| Transfers out | (416,923) | (231,698) | (96,447) |
| Change in net assets | 58,565 | (179,339) | (70,190) |
| Total net assets - beginning, as restated | <u>1,614,504</u> | <u>4,796,760</u> | <u>342,068</u> |
| Total net assets - ending | <u>\$ 1,673,069</u> | <u>\$ 4,617,421</u> | <u>\$ 271,878</u> |

The accompanying notes are an integral part of these financial statements.

| Business-Type Activities - Enterprise Funds | | Nonmajor Enterprise Fund | Total Enterprise Funds | Governmental Activities - Internal Service Funds |
|--|-------------------|--------------------------------|------------------------------|---|
| Water System Development | Sewer Reserve | Sewer System Development | | |
| \$ - | \$ - | \$ - | \$ 482,519 | \$ - |
| - | - | - | 247,098 | - |
| - | - | - | 29,221 | - |
| - | - | - | 644,577 | - |
| 13,881 | - | 9,633 | 49,339 | - |
| - | - | - | 7,560 | - |
| <u>13,881</u> | <u>-</u> | <u>9,633</u> | <u>1,460,314</u> | <u>-</u> |
| - | 727 | - | 568,010 | 674,024 |
| - | - | - | 3,206 | - |
| - | - | - | 363,017 | 40,627 |
| - | <u>727</u> | - | <u>934,233</u> | <u>714,651</u> |
| <u>13,881</u> | <u>(727)</u> | <u>9,633</u> | <u>526,081</u> | <u>(714,651)</u> |
| - | - | - | 17,457 | - |
| 9,129 | 11,500 | 2,261 | 39,682 | 4,746 |
| - | 1,749 | - | 17,838 | 19,322 |
| - | (2,921) | - | (2,921) | - |
| - | - | - | (123,350) | - |
| <u>9,129</u> | <u>10,328</u> | <u>2,261</u> | <u>(51,294)</u> | <u>24,068</u> |
| 23,010 | 9,601 | 11,894 | 474,787 | (690,583) |
| - | - | - | 123,822 | 5,537 |
| - | - | - | - | 700,565 |
| - | <u>(27,375)</u> | - | <u>(772,443)</u> | <u>(16,647)</u> |
| 23,010 | (17,774) | 11,894 | (173,834) | (1,128) |
| <u>195,787</u> | <u>265,926</u> | <u>44,464</u> | <u>7,259,509</u> | <u>627,468</u> |
| <u>\$ 218,797</u> | <u>\$ 248,152</u> | <u>\$ 56,358</u> | <u>\$ 7,085,675</u> | <u>\$ 626,340</u> |

CITY OF TOLEDO
Lincoln County, Oregon

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2008

| | Business-Type Activities - Enterprise Funds | | |
|---|--|------------------|-------------------|
| | Water | Sewer | Water Reserve |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Operating cash receipts from customers | \$ 752,642 | \$ 658,450 | \$ - |
| Cash payments to employees | (99,804) | (100,693) | - |
| Cash payments to suppliers | <u>(148,641)</u> | <u>(159,865)</u> | <u>(17,135)</u> |
| Net cash provided (used) by operating activities | <u>504,197</u> | <u>397,892</u> | <u>(17,135)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfers to other funds | (416,923) | (231,698) | (96,447) |
| Transfers from other funds | - | - | - |
| Miscellaneous | 859 | 2,991 | 29,696 |
| Contributions | <u>96,447</u> | <u>27,375</u> | <u>-</u> |
| Net cash provided (used) by noncapital financing activities | <u>(319,617)</u> | <u>(201,332)</u> | <u>(66,751)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Principal paid on capital debt | - | (27,831) | - |
| Interest paid on capital debt | - | (129,182) | - |
| Proceeds from disposal of capital assets | 720 | - | - |
| Purchase of capital assets | <u>(120,032)</u> | <u>(33,252)</u> | <u>-</u> |
| Net cash provided (used) by capital and related financing activities | <u>(119,312)</u> | <u>(190,265)</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Increase (decrease) in book overdraft | - | 19,196 | - |
| Interest income | <u>2,678</u> | <u>418</u> | <u>13,696</u> |
| Net cash provided (used) by investing activities | <u>2,678</u> | <u>19,614</u> | <u>13,696</u> |
| Net increase (decrease) in cash and cash equivalents | 67,946 | 25,909 | (70,190) |
| Cash and cash equivalents - beginning | <u>3,884</u> | <u>(25,909)</u> | <u>342,068</u> |
| Cash and cash equivalents - ending | <u>\$ 71,830</u> | <u>\$ -</u> | <u>\$ 271,878</u> |

The accompanying notes are an integral part of these financial statements.

| Business-Type Activities - Enterprise Funds | | Nonmajor Enterprise Fund | Total Enterprise Funds | Governmental Activities - Internal Service Funds |
|--|-------------------|--------------------------------|------------------------------|---|
| Water System Development | Sewer Reserve | Sewer System Development | | |
| \$ 13,881 | \$ - | \$ 9,633 | \$ 1,434,606 | \$ 6,243 |
| - | (727) | - | (201,224) | (407,034) |
| - | - | - | (325,641) | (287,456) |
| <u>13,881</u> | <u>(727)</u> | <u>9,633</u> | <u>907,741</u> | <u>(688,247)</u> |
| - | (27,375) | - | (772,443) | (16,647) |
| - | - | - | - | 700,565 |
| - | 1,749 | - | 35,295 | 19,322 |
| - | - | - | <u>123,822</u> | <u>5,537</u> |
| - | <u>(25,626)</u> | - | <u>(613,326)</u> | <u>708,777</u> |
| - | - | - | (27,831) | - |
| - | - | - | (129,182) | - |
| - | - | - | 720 | - |
| - | <u>(2,921)</u> | - | <u>(156,205)</u> | - |
| - | <u>(2,921)</u> | - | <u>(312,498)</u> | - |
| - | - | - | 19,196 | - |
| <u>9,129</u> | <u>11,500</u> | <u>2,261</u> | <u>39,682</u> | <u>4,745</u> |
| <u>9,129</u> | <u>11,500</u> | <u>2,261</u> | <u>58,878</u> | <u>4,745</u> |
| 23,010 | (17,774) | 11,894 | 40,795 | 25,275 |
| <u>195,787</u> | <u>265,926</u> | <u>44,464</u> | <u>826,220</u> | <u>101,117</u> |
| <u>\$ 218,797</u> | <u>\$ 248,152</u> | <u>\$ 56,358</u> | <u>\$ 867,015</u> | <u>\$ 126,392</u> |

(Continued)

CITY OF TOLEDO
Lincoln County, Oregon

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2008

(Continued)

| | Business-Type Activities - Enterprise Funds | | |
|--|--|------------|------------------|
| | Water | Sewer | Water Reserve |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | | | |
| Operating income (loss) | \$ 375,504 | \$ 144,925 | \$ (17,135) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities | | | |
| Depreciation | 116,908 | 246,109 | - |
| Increase (decrease) in | | | |
| Receivables | 189 | 15,348 | - |
| Inventories | 1,427 | (1,232) | - |
| (Increase) decrease in | | | |
| Accounts payable | 9,236 | (3,567) | - |
| Customer deposits | 225 | - | - |
| Compensated absences payable | 708 | (3,691) | - |
| Net cash provided (used) by operating activities | \$ 504,197 | \$ 397,892 | \$ (17,135) |

The accompanying notes are an integral part of these financial statements.

| Business-Type Activities - Enterprise Funds | | Nonmajor Enterprise Fund | Total Enterprise Funds | Governmental Activities - Internal Service Funds |
|--|------------------|--------------------------------|------------------------------|---|
| Water System Development | Sewer Reserve | Sewer System Development | | |
| \$ 13,881 | \$ (727) | \$ 9,633 | \$ 526,081 | \$ (714,651) |
| - | - | - | 363,017 | 40,627 |
| - | - | - | 15,537 | 6,243 |
| - | - | - | 195 | - |
| - | - | - | 5,669 | (23,051) |
| - | - | - | 225 | - |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>(2,983)</u> | <u>2,585</u> |
| <u>\$ 13,881</u> | <u>\$ (727)</u> | <u>\$ 9,633</u> | <u>\$ 907,741</u> | <u>\$ (688,247)</u> |

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Toledo have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City of Toledo was incorporated in 1905 and is situated on a bend of the Yaquina River surrounded by wooded hills. Toledo is just seven miles inland from the Central Oregon Coast and the only inland coastal community with a deep water channel. The historic town cascades over the hillsides to the river. The mission of the Toledo city government is to provide efficient, economical, and necessary public services that protect and enhance the quality of life in Toledo, now and in the future, as determined by our citizens, the law and available resources. The City provides basic services to citizens within the city limits. Control of the City is vested in its mayor and six-member city council elected to office by voters within the City.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the activities of the City.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges for goods and services provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, interest revenue, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and have therefore been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The primary source of revenue is property taxes.

Special Revenue Funds

Street Fund – The Street Fund accounts for the maintenance, operation, and construction of the City's streets. The primary sources of revenue are state shared highway funds and franchise fees.

The City reports the following major proprietary funds:

Enterprise Funds

Water Fund – The Water Fund reports financial activity related to the supply, treatment, and distribution of water. The primary source of revenue is user fees.

Sewer Fund – The Sewer Fund accounts for the resources and expenses related to the collection and treatment of wastewater. The primary source of revenue is user fees.

Water Reserve Fund – The Water Reserve Fund is used to accumulate resources for future system development costs. The primary source of revenue is transfers.

Water System Development Fund – The Water System Development Fund is used to accumulate resources for future system development costs. The primary sources of revenue are user fees and transfers.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Sewer Reserve Fund – The Sewer Reserve Fund is used to accumulate resources for system development. The primary source of revenue is transfers.

Additionally, the City reports the following funds:

Special Revenue Funds

Forfeiture Revenue Fund – The Forfeiture Revenue Fund accounts for amounts received from government agencies.

Grant Fund – The Grant Fund accounts for financial resources from various grants. The primary use of revenue is expenditures for meeting purposes of the grants.

Projects Fund – The Projects Fund accounts for the maintenance, operation, and construction of the City's governmental capital assets.

HUD Fund – The HUD Fund is used to account for the repayment and relending of funds originally obtained through federal programs. The primary source of revenue is loan repayments.

Solid Waste Fund – The Solid Waste Fund is used to accumulate resources dedicated to landfill closure expenses. The primary source of revenue is user fees.

911 System Fund – The 911 System Fund is used to account for the operation of the 911 call center. The primary source of revenue is payments for services rendered.

General Reserve Fund – The General Reserve Fund is used to accumulate resources for future equipment expenditures. The primary source of revenue is transfers.

Transportation Systems Development Fund – The Transportation Systems Development Fund is used to accumulate resources for future system development costs. The primary source of revenue is transfers.

Library Reserve Fund – The Library Reserve Fund is used to accumulate resources for future library programs, maintenance, and equipment costs.

Footpaths and Bicycle Trail Fund – The Footpaths and Bicycle Trail Fund is used to account for required expenditures of state highway funds dedicated to the development and maintenance of footpaths and bicycle trails. The primary source of revenue is state highway taxes.

Insurance Reserve Fund – The Insurance Reserve Fund is used to accumulate resources for future insurance costs. The primary source of revenue is transfers.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Retirement Reserve Fund – The Retirement Reserve Fund is used to accumulate funds for expected increases in PERS contribution rates. The primary source of revenue is transfers.

Fire Station Construction Fund – The Fire Station Construction Fund is used to account for the acquisition and construction of a new fire station.

Debt Service Fund – The Debt Service Fund accounts for the repayment of the City's long-term debt. The primary source of revenue is property taxes. The primary uses of revenue are for the payment of principal and interest due on long-term debt.

Enterprise Funds

Sewer System Development Fund – The Sewer System Development Fund is used to accumulate resources for future system development costs. The primary sources of revenue are user fees and transfers.

Internal Service Funds

Public Works Fund – The Public Works Fund accounts for general and public works administration primarily provided to the other departments of the City.

Public Works Equipment Reserve Fund – The Public Equipment Reserve Fund is a reserve for equipment acquisitions.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transfers between the governmental funds and the proprietary funds. Elimination of these transactions would distort their respective financial statements.

The City reports deferred revenue on the balance sheet of the governmental funds. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest bearing bonds, time deposit open accounts, certificates of deposit and savings accounts in banks, mutual savings banks, and savings and loan associations which maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

2. Property Taxes

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments which are due on November 15, February 15, and May 15.

Uncollected property taxes are shown on the balance sheet of the governmental funds. Property taxes collected within approximately 60 days of fiscal year-end are recognized as revenue, while the remaining amount of taxes receivable are recorded as deferred revenue because they are not deemed available to finance operations of the current period.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Equity (Continued)

3. Inventories

Inventories of supplies are valued at cost using the first-in, first-out method. Inventories consist of materials for use in the public works, water and sewer departments.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance or repairs that do not add to the value of an asset or materially extend its life are charged to expenditures as incurred and are not capitalized.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|--------------------------|--------------|
| Equipment and vehicles | 10 |
| Buildings and structures | 50 |
| Infrastructure | 50 |

5. Compensated Absences

Amounts of vested or accumulated vacation leave that are expected to be liquidated with expendable available financial resources are reported as expenditures when paid. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as long-term liabilities on the statement of net assets. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Equity (Continued)

6. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and bond issuance costs during the current period. The face amounts of debt issued are reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

7. Retirement Plans

Most of the City's employees participate in Oregon's Public Employees Retirement System (PERS). PERS requires plan contributions on a current basis. Contributions are made on a current basis as required by the plan and are recorded as expenses or expenditures.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City budgets all funds in accordance with the requirements of state law. Annual appropriated budgets are adopted for the general, special revenue, debt service, enterprise, and internal service funds. All funds are budgeted on the modified accrual basis of accounting.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

The City begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee. The budget is legally adopted by the city council by resolution prior to the beginning of the City's fiscal year. The council resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total instruction, support services, capital outlay, debt service, community services, interfund transfers, and operating contingencies are the levels of control for the funds established by the resolution. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories and management may revise the detailed line item budgets within appropriation categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of the fund's original budget may be adopted by the city council at a regular council meeting. A supplemental budget greater than 10% of the fund's original budget requires hearings before the public, publication in newspapers, and approval by the city council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the city council. During the year, there were no supplemental budgets. The City does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts and two appropriation transfers.

B. Deficit Fund Equity

At June 30, 2008, the Sewer Fund and Public Works Fund reported deficits in unrestricted net assets of \$66,668 and \$28,010, respectively. The deficits were due to balances invested in capital assets. In addition, the Debt Service Fund reported a net deficit of \$386 at June 30, 2008. The City plans on using current year revenues in the Debt Service Fund to correct the deficit.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The City of Toledo maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Additionally, several funds held separate cash accounts. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Investments, including amounts held in pooled cash and investments, are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

The Oregon State Treasury administers the LGIP. The LGIP is an open-ended, no-load, diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the City's position in the LGIP is the same as the value of the pool shares.

Credit Risk

Oregon statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Oregon Local Government Investment Pool. The City has not adopted an investment policy regarding credit risk; however, investments comply with the state statutes.

Investments

As of June 30, 2008, the City had the following investments:

| | Maturities | Fair Value |
|---|------------|--------------|
| Oregon Local Government Investment Pool | - | \$ 1,050,802 |
| Certificate of deposit | 12/26/2008 | 82,617 |
| Total investments | | \$ 1,133,419 |

Interest Rate Risk

The City does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increases in interest rates.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Concentration of Credit Risk

The City does not have a formal policy that places a limit on the amount that may be invested in any one insurer. 93 percent of the City's investments are in the Oregon Local Government Investment Pool.

Custodial Credit Risk – Investments

This is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a policy which limits the amount of investments that can be held by counterparties.

Custodial Credit Risk – Deposits

This is the risk that, in the event of a bank failure, the City's deposits may not be returned. Oregon statute requires collateralization of deposits in excess of amounts insured by the Federal Depository Insurance Corporation. At June 30, 2008, none of the City's bank balance of \$363,992 covered by the FDIC was exposed to custodial credit risk.

The City also holds deposits in a money market account covered by the Securities Investors Protection Corporation up to \$500,000. At June 30, 2008, \$559,199 of the City's balance was exposed to custodial credit risk.

Deposits

The City's unrestricted deposits and investments at June 30, 2008 are as follows:

| | <u>Cash and Cash Equivalents</u> | <u>Investments</u> | <u>Totals</u> |
|---|--------------------------------------|--------------------|---------------------|
| Cash on hand | \$ 300 | \$ - | \$ 300 |
| Checking accounts | 31,755 | - | 31,755 |
| Money market accounts | 1,750,731 | - | 1,750,731 |
| Certificate of deposit | 100,000 | - | 100,000 |
| Total investments | <u>1,050,802</u> | <u>82,617</u> | <u>1,133,419</u> |
| Total unrestricted cash and investments | <u>\$ 2,933,588</u> | <u>\$ 82,617</u> | <u>\$ 3,016,205</u> |

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Unrestricted cash and investments by fund:

| | Cash and Cash Equivalents | Investments | Totals |
|---|------------------------------|-------------|--------------|
| Governmental activities | | | |
| General Fund | \$ 755,099 | \$ 82,617 | \$ 837,716 |
| Street Fund | 130,366 | - | 130,366 |
| Other governmental funds | 1,073,912 | - | 1,073,912 |
| Internal service funds | 126,392 | - | 126,392 |
| Total governmental activities | 2,085,769 | 82,617 | 2,168,386 |
| Business-type activities | | | |
| Water Fund | 71,830 | - | 71,830 |
| Sewer Fund (book overdraft) | (19,196) | - | (19,196) |
| Water Reserve Fund | 271,878 | - | 271,878 |
| Water Systems Development Fund | 218,797 | - | 218,797 |
| Sewer Reserve Fund | 248,152 | - | 248,152 |
| Sewer Systems Development Fund | 56,358 | - | 56,358 |
| Total business-type activities | 847,819 | - | 847,819 |
| Total unrestricted cash and investments | \$ 2,933,588 | \$ 82,617 | \$ 3,016,205 |

B. Receivables

Receivables as of June 30, 2008 are as follows:

| | |
|---------------------|------------|
| Property taxes | \$ 114,996 |
| Accounts receivable | 640,080 |
| Total receivables | \$ 755,076 |

Management has determined that all receivables are collectible; therefore, no allowance for uncollectible accounts has been established.

C. Note Receivable

The note receivable arose from the sale of property. The note bears interest at 5.98% and calls for monthly payments in the amount of \$6,100 through June 1, 2011 and \$6,450 thereafter.

The note is current and the City believes fully collectible; therefore, no allowance has been provided for possible losses.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

C. Note Receivable (Continued)

Future maturities of the note receivable are as follows:

| Year Ending June 30 | |
|------------------------|-------------------|
| 2009 | \$ 39,928 |
| 2010 | 42,382 |
| 2011 | 45,338 |
| 2012 | 52,091 |
| 2013 | 55,293 |
| Thereafter | <u>254,475</u> |
| | <u>\$ 489,507</u> |

D. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

| | Beginning Balance, As Restated | Increases | Decreases | Ending Balance |
|---|--------------------------------------|---------------------|-----------------|----------------------|
| Governmental activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 524,692 | \$ - | \$ - | \$ 524,692 |
| Capital assets being depreciated | | | | |
| Buildings and structures | 5,564,343 | 69,463 | - | 5,633,806 |
| Equipment and vehicles | 1,894,168 | 117,926 | 3,530 | 2,008,564 |
| Land improvements | 1,783,279 | 54,528 | - | 1,837,807 |
| Infrastructure | <u>3,685,762</u> | <u>37,343</u> | <u>-</u> | <u>3,723,105</u> |
| Total capital assets being depreciated | <u>12,927,552</u> | <u>279,260</u> | <u>3,530</u> | <u>13,203,282</u> |
| Less accumulated depreciation for | | | | |
| Buildings and structures | (1,285,941) | (148,592) | - | (1,434,533) |
| Equipment and vehicles | (767,938) | (139,782) | - | (907,720) |
| Land improvements | (395,481) | (66,499) | 1,035 | (460,945) |
| Infrastructure | <u>(356,014)</u> | <u>(141,129)</u> | <u>-</u> | <u>(497,143)</u> |
| Total accumulated depreciation | <u>(2,805,374)</u> | <u>(496,002)</u> | <u>1,035</u> | <u>(3,300,341)</u> |
| Total capital assets being depreciated, net | <u>10,122,178</u> | <u>(216,742)</u> | <u>4,565</u> | <u>9,902,941</u> |
| Governmental activities capital assets, net | <u>\$ 10,646,870</u> | <u>\$ (216,742)</u> | <u>\$ 4,565</u> | <u>\$ 10,427,633</u> |

(Continued)

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

D. Capital Assets (Continued)

(Continued)

| | Beginning Balance, As Restated | Increases | Decreases | Ending Balance |
|--|--------------------------------------|---------------------|-----------------|---------------------|
| Business-type activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 798,428 | \$ - | \$ - | \$ 798,428 |
| Work in process | - | 5,363 | - | 5,363 |
| Total capital assets not being depreciated | <u>798,428</u> | <u>5,363</u> | <u>-</u> | <u>803,791</u> |
| Capital assets being depreciated | | | | |
| Buildings and structures | 4,805,216 | 11,788 | - | 4,817,004 |
| Equipment and vehicles | 442,732 | 37,331 | 4,800 | 475,263 |
| Land improvements | 71,714 | - | - | 71,714 |
| Infrastructure | <u>12,057,630</u> | <u>69,340</u> | <u>-</u> | <u>12,126,970</u> |
| Total capital assets being depreciated | <u>17,377,292</u> | <u>118,459</u> | <u>4,800</u> | <u>17,490,951</u> |
| Less accumulated depreciation for | | | | |
| Buildings and structures | (4,034,181) | (59,845) | - | (4,094,026) |
| Equipment and vehicles | (247,896) | (33,549) | 4,800 | (276,645) |
| Land improvements | (8,419) | (1,877) | - | (10,296) |
| Infrastructure | <u>(5,155,083)</u> | <u>(267,746)</u> | <u>-</u> | <u>(5,422,829)</u> |
| Total accumulated depreciation | <u>(9,445,579)</u> | <u>(363,017)</u> | <u>4,800</u> | <u>(9,803,796)</u> |
| Total capital assets being depreciated, net | <u>7,931,713</u> | <u>(244,558)</u> | <u>9,600</u> | <u>7,687,155</u> |
| Business-type activities capital assets, net | <u>\$ 8,730,141</u> | <u>\$ (244,558)</u> | <u>\$ 9,600</u> | <u>\$ 8,490,946</u> |

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

D. Capital Assets (Continued)

Capital assets are reported on the statement of net assets as follows:

| | Capital Assets | Accumulated Depreciation | Net Capital Assets |
|---|-------------------|-----------------------------|-----------------------|
| Governmental activities | | | |
| Land | \$ 524,692 | \$ - | \$ 524,692 |
| Buildings and structures | 5,633,806 | (1,434,533) | 4,199,273 |
| Equipment and vehicles | 2,008,564 | (907,720) | 1,100,844 |
| Land improvements | 1,837,807 | (460,945) | 1,376,862 |
| Infrastructure | 3,723,105 | (497,143) | 3,225,962 |
| Total governmental activities capital assets | 13,727,974 | (3,300,341) | 10,427,633 |
| Business-type activities | | | |
| Land | 798,428 | - | 798,428 |
| Work in process | 5,363 | - | 5,363 |
| Buildings and structures | 4,817,004 | (4,094,026) | 722,978 |
| Land improvements | 475,263 | (276,645) | 198,618 |
| Infrastructure | 71,714 | (10,296) | 61,418 |
| Equipment and vehicles | 12,126,970 | (5,422,829) | 6,704,141 |
| Total business-type activities capital assets | 18,294,742 | (9,803,796) | 8,490,946 |
| Total capital assets | \$ 32,022,716 | \$ (13,104,137) | \$ 18,918,579 |

Depreciation expense was charged to functions/programs of the City as follows:

| | |
|--------------------------------|------------|
| Governmental activities | |
| General government | \$ 143,570 |
| Public safety | 196,446 |
| Highways and streets | 132,660 |
| Economic development | 389 |
| Culture and recreation | 22,937 |
| Total governmental activities | \$ 496,002 |
| Business-type activities | |
| Water | \$ 116,908 |
| Sewer | 246,109 |
| Total business-type activities | \$ 363,017 |

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

E. Interfund Transfers

Operating transfers are reflected as other financing sources (uses) in the governmental funds. Interfund transfers during the year consisted of:

| | Transfers in: | | | Total |
|-----------------------------|-------------------|-----------------------------------|------------------------------|---------------------|
| | General Fund | Nonmajor Governmental Funds | Internal Service Funds | |
| Transfers out: | | | | |
| General Fund | \$ - | \$ 111,980 | \$ 15,323 | \$ 127,303 |
| Street Fund | 39,500 | 10,000 | 233,286 | 282,786 |
| Nonmajor governmental funds | 10,000 | 28,350 | - | 38,350 |
| Internal service funds | - | 11,110 | - | 11,110 |
| Enterprise funds | 189,860 | 6,805 | 451,956 | 648,621 |
| Total | <u>\$ 239,360</u> | <u>\$ 168,245</u> | <u>\$ 700,565</u> | <u>\$ 1,108,170</u> |

The principal purposes of the interfund transfers in were to transfer resources into reserve funds for future expenses.

F. Compensated Absences

The following is a summary of compensated absences transactions for the year:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|--------------------------|----------------------|------------------|-------------|-------------------|
| Governmental activities | | | | |
| Compensated absences | <u>\$ 128,282</u> | <u>\$ 33,603</u> | <u>\$ -</u> | <u>\$ 161,885</u> |
| Business-type activities | | | | |
| Compensated absences | <u>\$ 23,699</u> | <u>\$ 2,983</u> | <u>\$ -</u> | <u>\$ 26,682</u> |

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

G. Long-Term Liabilities

1. Changes in Long-Term Liabilities

The following is a summary of long-term liabilities transactions for the year:

| | Interest Rate | Original Amount | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--------------------------------|------------------|---------------------|----------------------|-------------|-------------------|---------------------|------------------------|
| Governmental activities | | | | | | | |
| General obligation bonds | | | | | | | |
| Series 2005 | 4.25-4.75% | \$ 2,010,000 | \$ 1,960,000 | \$ - | \$ 60,000 | \$ 1,900,000 | \$ 65,000 |
| Loan payable | 5.98% | 710,000 | 487,463 | - | 49,687 | 437,776 | 52,797 |
| Total governmental activities | | <u>\$ 2,720,000</u> | <u>\$ 2,447,463</u> | <u>\$ -</u> | <u>\$ 109,687</u> | <u>\$ 2,337,776</u> | <u>\$ 117,797</u> |
| Business-type activities | | | | | | | |
| Revenue Installment Bonds | | | | | | | |
| Sewer Bond #1 | 5.00% | \$ 2,323,600 | \$ 2,192,731 | \$ - | \$ 25,782 | \$ 2,166,949 | \$ 27,072 |
| Sewer Bond #2 | 4.75% | 176,400 | 165,900 | - | 2,049 | 163,851 | 2,149 |
| Total business-type activities | | <u>\$ 2,500,000</u> | <u>\$ 2,358,631</u> | <u>\$ -</u> | <u>\$ 27,831</u> | <u>\$ 2,330,800</u> | <u>\$ 29,221</u> |

2. Governmental Activity General Obligation Bonds

General obligation bonds are direct obligations that pledge the full faith and credit of the City and are payable from ad valorem debt service levy proceeds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The City's outstanding general obligation bonds represent funding primarily for building improvement projects. Interest is due semi-annually on June 1 and December 1. Principal is due annually on June 1. The Debt Service Fund has traditionally been used to liquidate long-term debt.

3. Governmental Activity Loan Payable

The City obtained the loan to provide funds for the acquisition and construction of major capital facilities. Payments are due monthly in the amount of \$5,813. The Debt Service Fund has traditionally been used to liquidate long-term debt.

4. Governmental Activity Future Maturities of Long-Term Liabilities

| Year Ending June 30 | Bonds | | Loan | | Total |
|------------------------|---------------------|-------------------|-------------------|------------------|---------------------|
| | Principal | Interest | Principal | Interest | |
| 2009 | \$ 65,000 | \$ 87,740 | \$ 52,797 | \$ 16,969 | \$ 222,506 |
| 2010 | 70,000 | 84,978 | 53,903 | 15,863 | 224,744 |
| 2011 | 75,000 | 82,003 | 56,323 | 13,443 | 226,769 |
| 2012 | 80,000 | 78,815 | 58,824 | 10,942 | 228,581 |
| 2013 | 85,000 | 75,415 | 61,493 | 8,273 | 230,181 |
| 2014-2018 | 510,000 | 313,783 | 154,436 | 8,051 | 986,270 |
| 2019-2023 | 685,000 | 179,845 | - | - | 864,845 |
| 2024-2028 | 330,000 | 23,750 | - | - | 353,750 |
| | <u>\$ 1,900,000</u> | <u>\$ 926,329</u> | <u>\$ 437,776</u> | <u>\$ 73,541</u> | <u>\$ 3,337,646</u> |

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

G. Long-Term Liabilities (Continued)

5. Business-Type Activity Revenue Installment Bonds

Revenue bonds are direct obligations that pledge the full faith and credit of the City and are payable from sewer utility revenue proceeds. The City's outstanding revenue bonds represent funding primarily for system improvement projects. Principal and interest are due annually on November 6. The Sewer Fund has traditionally been used to liquidate long-term debt.

6. Business-Type Activity Future Maturities of Long-Term Liabilities

| Year Ending June 30 | Bonds | | |
|------------------------|---------------------|---------------------|---------------------|
| | Principal | Interest | Total |
| 2009 | \$ 29,221 | \$ 116,131 | \$ 145,352 |
| 2010 | 30,677 | 114,675 | 145,352 |
| 2011 | 32,205 | 113,147 | 145,352 |
| 2012 | 33,810 | 111,542 | 145,352 |
| 2013 | 35,494 | 109,858 | 145,352 |
| 2014-2018 | 205,823 | 520,937 | 726,760 |
| 2019-2023 | 262,461 | 464,299 | 726,760 |
| 2024-2028 | 334,690 | 392,070 | 726,760 |
| 2029-2033 | 426,801 | 289,959 | 716,760 |
| 2034-2038 | 544,267 | 182,493 | 726,760 |
| 2039-2041 | 395,351 | 39,605 | 434,956 |
| | <u>\$ 2,330,800</u> | <u>\$ 2,454,716</u> | <u>\$ 4,785,516</u> |

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage for each of the past three years.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

IV. OTHER INFORMATION (Continued)

B. Retirement Plans

1. Oregon Public Employees Retirement System

Plan Description

The City contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the City's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: the pension program and the defined benefit portion of the plan. OPSRP applies to qualifying City employees hired after August 29, 2003. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERS, P.O. Box 23700, Tigard, Oregon 97281-3700, by calling (503) 598-7277, or by accessing the PERS website at <http://oregon.gov/PERS/>.

Funding Policy

The City is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan and a general service rate for the qualifying employees under the OPSRP plan. The OPERF, OPSRP, and OPSRP Fire and Police rates in effect for the year ended June 30, 2008 were 2.86%, 4.34%, and 7.61%, respectively, which included an unfunded actuarial liability offset reduction of 1.48% for each category. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. Covered employees are required by state statute to contribute 6% of their annual salary to the system, but the employer is allowed to pay any or all of the employees' contributions in addition to the required employer's contribution. For police and fire, the City has elected to pay the required employee contribution of 6% of covered payroll.

Annual Pension Cost

The City's contributions to PERS for the three years ended June 30, 2006, 2007, and 2008 were equal to the required contribution for each year.

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

IV. OTHER INFORMATION (Continued)

B. Retirement Plans (Continued)

1. Oregon Public Employees Retirement System (Continued)

Annual pension expenses/expenditures are summarized as follows:

| Fiscal Year Ended June 30 | Annual Pension Cost (APC) | Percentage of APC Contributed |
|---------------------------------|---------------------------------|-------------------------------------|
| 2006 | \$ 149,239 | 100% |
| 2007 | \$ 137,415 | 100% |
| 2008 | \$ 169,710 | 100% |

C. Restatements

Net Assets

Beginning net assets were restated as follows to reflect the correction of capital asset balances due to omission in the prior year financial statements and other items as noted:

| | Government-Wide Statements | |
|--|----------------------------|-----------------------------|
| | Governmental Activities | Business-Type Activities |
| Net assets - beginning, as originally reported | \$ 11,073,269 | \$ 7,679,200 |
| Correction of fixed assets balances 7/1/07 | 120,611 | (462,062) |
| Correction of compensated absences reported | - | 42,371 |
| Net assets - beginning, as restated | <u>\$ 11,193,880</u> | <u>\$ 7,259,509</u> |

Fund Balances

Beginning fund balances were restated as follows to reflect the correction of capital asset balances and show individual appropriated funds as required by Generally Accepted Accounting Principles.

| | GAAP Basis Statements | | |
|--|-----------------------|---------------------|-------------------------|
| | Water Fund | Sewer Fund | Public Works Fund |
| Net assets - beginning, as originally reported | \$ 1,419,802 | \$ 5,450,540 | \$ 476,517 |
| Correction of fixed assets balances 7/1/07 | 194,702 | (653,780) | 54,692 |
| Net assets - beginning, as restated | <u>\$ 1,614,504</u> | <u>\$ 4,796,760</u> | <u>\$ 531,209</u> |

CITY OF TOLEDO
Lincoln County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

IV. OTHER INFORMATION (Continued)

C. Restatements (Continued)

| | Budget Basis Statements | | | | |
|---|-------------------------|-------------------|------------------|--------------------------|-------------------------|
| | General Fund | Water Fund | Sewer Fund | Water Reserve Fund | Public Works Fund |
| Fund balances - beginning, as originally reported | \$ 733,635 | \$ (1,947,427) | \$ (4,556,686) | \$ 38,796 | \$ (48,030) |
| Cumulative adjustment to correct accruals posted to budget basis | <u>17,435</u> | <u>2,048,027</u> | <u>4,595,526</u> | <u>303,272</u> | <u>48,056</u> |
| Fund balances - beginning, as restated | <u>\$ 751,070</u> | <u>\$ 100,600</u> | <u>\$ 38,840</u> | <u>\$ 342,068</u> | <u>\$ 26</u> |

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2008

| | <u>Original Budget</u> | <u>Final Budget</u> | Variance with Final Budget Over (Under) |
|---|----------------------------|-------------------------|---|
| REVENUES | | | |
| Taxes | | | |
| Property taxes | \$ 1,480,000 | \$ 1,480,000 | \$ (14,571) |
| Franchise | 277,100 | 277,100 | (30,343) |
| Alcohol | 41,800 | 41,800 | 201 |
| Cigarette | 6,150 | 6,150 | (120) |
| Licenses, permits, and fees | 99,375 | 99,375 | 1,808 |
| Charges for services | 542,660 | 542,660 | 3,965 |
| State revenue sharing | 33,000 | 33,000 | 2,952 |
| Fines | 40,000 | 40,000 | 11,809 |
| Grants | 25,000 | 25,000 | (23,690) |
| Investment earnings | 40,000 | 40,000 | (1,057) |
| Rents and leases | 76,200 | 76,200 | 7,001 |
| Other revenue | <u>13,500</u> | <u>13,500</u> | <u>1,737</u> |
| Total revenues | <u>2,674,785</u> | <u>2,674,785</u> | <u>(40,308)</u> |
| EXPENDITURES | | | |
| Current | | | |
| General government | 351,590 | 351,590 | (43,170) |
| Community planning | 69,380 | 69,380 | (4,728) |
| Legal | 52,065 | 52,065 | (7,234) |
| Police | 1,171,925 | 1,171,925 | (129,081) |
| Fire | 356,825 | 379,725 | (8,249) |
| Recreation | 201,995 | 201,995 | (14,132) |
| Property maintenance | 197,713 | 204,963 | (19,045) |
| Library | 231,255 | 231,255 | (6,081) |
| Municipal court | 10,580 | 10,580 | (1,557) |
| General services | 325,965 | 325,965 | (17,095) |
| Contingency | <u>175,000</u> | <u>144,850</u> | <u>(144,850)</u> |
| Total expenditures | <u>3,144,293</u> | <u>3,144,293</u> | <u>(395,222)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(469,508)</u> | <u>(469,508)</u> | <u>354,914</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 239,360 | 239,360 | - |
| Transfers out | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | <u>239,360</u> | <u>239,360</u> | <u>-</u> |
| Net change in fund balances | (230,148) | (230,148) | 354,914 |
| Fund balances - beginning, as restated | <u>695,100</u> | <u>695,100</u> | <u>55,970</u> |
| Fund balances - ending | <u>\$ 464,952</u> | <u>\$ 464,952</u> | <u>\$ 410,884</u> |

| Budget Basis | Actual | |
|-------------------|------------------|-------------------|
| | Adjustments | GAAP Basis |
| \$ 1,465,429 | \$ - | \$ 1,465,429 |
| 246,757 | - | 246,757 |
| 42,001 | - | 42,001 |
| 6,030 | - | 6,030 |
| 101,183 | - | 101,183 |
| 546,625 | - | 546,625 |
| 35,952 | - | 35,952 |
| 51,809 | - | 51,809 |
| 1,310 | - | 1,310 |
| 38,943 | - | 38,943 |
| 83,201 | - | 83,201 |
| 15,237 | - | 15,237 |
| <u>2,634,477</u> | <u>-</u> | <u>2,634,477</u> |
| 308,420 | - | 308,420 |
| 64,652 | - | 64,652 |
| 44,831 | - | 44,831 |
| 1,042,844 | (23,500) | 1,019,344 |
| 371,476 | (38,000) | 333,476 |
| 187,863 | (4,700) | 183,163 |
| 185,918 | (29,423) | 156,495 |
| 225,174 | - | 225,174 |
| 9,023 | - | 9,023 |
| 308,870 | (31,680) | 277,190 |
| - | - | - |
| <u>2,749,071</u> | <u>(127,303)</u> | <u>2,621,768</u> |
| <u>(114,594)</u> | <u>(127,303)</u> | <u>12,709</u> |
| 239,360 | - | 239,360 |
| - | (127,303) | (127,303) |
| <u>239,360</u> | <u>(127,303)</u> | <u>112,057</u> |
| 124,766 | - | 124,766 |
| <u>751,070</u> | <u>-</u> | <u>751,070</u> |
| <u>\$ 875,836</u> | <u>\$ -</u> | <u>\$ 875,836</u> |

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

STREET FUND

For the Year Ended June 30, 2008

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual | | GAAP Basis |
|--|---------------------------------|---|-------------------|-------------|-------------------|
| | | | Budget Basis | Adjustments | |
| REVENUES | | | | | |
| Taxes | | | | | |
| Franchise | \$ 276,100 | \$ (29,343) | \$ 246,757 | \$ - | \$ 246,757 |
| Motor fuel | 162,900 | 4,626 | 167,526 | - | 167,526 |
| Investment income | 6,000 | (1,272) | 4,728 | - | 4,728 |
| Grants | 25,000 | - | 25,000 | - | 25,000 |
| Other income | - | 12,806 | 12,806 | - | 12,806 |
| Total revenues | <u>470,000</u> | <u>(13,183)</u> | <u>456,817</u> | <u>-</u> | <u>456,817</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Materials and services | 114,900 | (17,997) | 96,903 | - | 96,903 |
| Capital outlay | 155,563 | (108,316) | 47,247 | - | 47,247 |
| Contingency | <u>15,000</u> | <u>(15,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>285,463</u> | <u>(141,313)</u> | <u>144,150</u> | <u>-</u> | <u>144,150</u> |
| Excess (deficiency) of revenues over (under) expenditures | 184,537 | 128,130 | 312,667 | - | 312,667 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers out | <u>(289,867)</u> | <u>(7,081)</u> | <u>(282,786)</u> | <u>-</u> | <u>(282,786)</u> |
| Net change in fund balances | (105,330) | 121,049 | 29,881 | - | 29,881 |
| Fund balances - beginning | <u>105,330</u> | <u>18,491</u> | <u>123,821</u> | <u>-</u> | <u>123,821</u> |
| Fund balances - ending | <u>\$ -</u> | <u>\$ 153,702</u> | <u>\$ 153,702</u> | <u>\$ -</u> | <u>\$ 153,702</u> |

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF TOLEDO
Lincoln County, Oregon

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2008

| | Special Revenue Funds | | | | | | |
|--|-----------------------|------------------|------------------|-------------------|-------------------|------------------|--------------------|
| | Forfeiture Revenue | Grants | Projects | HUD | Solid Waste | 911 System | General Reserve |
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ - | \$ 73,645 | \$ 45,551 | \$ 137,815 | \$ 158,506 | \$ 13,076 | \$ 297,621 |
| Undistributed taxes with county | - | - | - | - | - | - | - |
| Accounts receivable | - | - | - | - | - | 4,804 | 23,487 |
| Property taxes receivable | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - |
| Total assets | <u>\$ -</u> | <u>\$ 73,645</u> | <u>\$ 45,551</u> | <u>\$ 137,815</u> | <u>\$ 158,506</u> | <u>\$ 17,880</u> | <u>\$ 321,108</u> |
| LIABILITIES | | | | | | | |
| Book overdraft | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts payable | - | - | 831 | - | - | - | 236 |
| Deferred revenue | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - |
| Total liabilities | - | - | 831 | - | - | - | 236 |
| FUND BALANCES | | | | | | | |
| Reserved for | | | | | | | |
| Special projects | - | 73,645 | 44,720 | 137,815 | 158,506 | 17,880 | 320,872 |
| Systems development | - | - | - | - | - | - | - |
| Unreserved | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - |
| Total fund balances | <u>-</u> | <u>73,645</u> | <u>44,720</u> | <u>137,815</u> | <u>158,506</u> | <u>17,880</u> | <u>320,872</u> |
| Total liabilities and fund balances | <u>\$ -</u> | <u>\$ 73,645</u> | <u>\$ 45,551</u> | <u>\$ 137,815</u> | <u>\$ 158,506</u> | <u>\$ 17,880</u> | <u>\$ 321,108</u> |

| Special Revenue Funds | | | | | | | | Total |
|--|--------------------|-----------------------------------|----------------------|-----------------------|-------------------|---------------------------------|-------------------------|-----------------------------------|
| Transportation Systems Development | Library Reserve | Footpaths and Bicycle Trail | Insurance Reserve | Retirement Reserve | Street Reserve | Fire Station Construction | Debt Service Fund | Nonmajor Governmental Funds |
| \$ 3,903 | \$ 90,251 | \$ 10,103 | \$ 12,649 | \$ 214,811 | \$ 18,794 | \$ - | \$ - | \$ 1,076,725 |
| - | - | - | - | - | - | - | 1,225 | 1,225 |
| - | - | 122 | - | - | - | - | - | 28,413 |
| - | - | - | - | - | - | - | 9,506 | 9,506 |
| <u>\$ 3,903</u> | <u>\$ 90,251</u> | <u>\$ 10,225</u> | <u>\$ 12,649</u> | <u>\$ 214,811</u> | <u>\$ 18,794</u> | <u>\$ -</u> | <u>\$ 10,731</u> | <u>\$ 1,115,869</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,813 | \$ 2,813 |
| - | 236 | - | - | - | - | - | - | 1,303 |
| - | - | - | - | - | - | - | 8,304 | 8,304 |
| - | 236 | - | - | - | - | - | 11,117 | 12,420 |
| - | 90,015 | - | 12,649 | 214,811 | - | - | - | 1,070,913 |
| 3,903 | - | 10,225 | - | - | 18,794 | - | - | 32,922 |
| - | - | - | - | - | - | - | (386) | (386) |
| <u>3,903</u> | <u>90,015</u> | <u>10,225</u> | <u>12,649</u> | <u>214,811</u> | <u>18,794</u> | <u>-</u> | <u>(386)</u> | <u>1,103,449</u> |
| <u>\$ 3,903</u> | <u>\$ 90,251</u> | <u>\$ 10,225</u> | <u>\$ 12,649</u> | <u>\$ 214,811</u> | <u>\$ 18,794</u> | <u>\$ -</u> | <u>\$ 10,731</u> | <u>\$ 1,115,869</u> |

CITY OF TOLEDO
Lincoln County, Oregon

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2008

Special Revenue Funds

| | Forfeiture Revenue | Grants | Projects | HUD | Solid Waste | 911 System | General Reserve |
|--|-----------------------|------------------|------------------|-------------------|-------------------|------------------|--------------------|
| REVENUES | | | | | | | |
| Taxes | | | | | | | |
| Property | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Motor fuel | - | - | - | - | - | - | - |
| Privilege | - | - | - | - | - | 27,993 | - |
| Licenses, permits, and fees | - | - | - | - | 5,629 | - | - |
| Loan repayments | - | - | - | 36,510 | - | - | - |
| Grants | - | 16,185 | - | - | - | - | 2,500 |
| Investment earnings | - | 2,858 | 2,010 | 5,315 | 6,877 | 379 | 12,852 |
| Rents and leases | - | - | 6,100 | - | - | - | - |
| Other revenue | - | - | 1,500 | - | - | - | 15,230 |
| Total revenues | <u>-</u> | <u>19,043</u> | <u>9,610</u> | <u>41,825</u> | <u>12,506</u> | <u>28,372</u> | <u>30,582</u> |
| EXPENDITURES | | | | | | | |
| Current | | | | | | | |
| General government | - | 183 | 4,985 | 109 | 8,654 | - | 40,712 |
| Public safety | - | - | - | - | - | 848 | 75,185 |
| Highways and streets | - | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - | 59,092 |
| Debt service | - | - | - | - | - | - | - |
| Capital outlay | - | 2,514 | 3,733 | - | - | 1,274 | - |
| Total expenditures | <u>-</u> | <u>2,697</u> | <u>8,718</u> | <u>109</u> | <u>8,654</u> | <u>2,122</u> | <u>174,989</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>16,346</u> | <u>892</u> | <u>41,716</u> | <u>3,852</u> | <u>26,250</u> | <u>(144,407)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in | - | - | - | - | - | - | 115,650 |
| Transfers out | - | - | - | - | - | (10,000) | - |
| Sale of capital assets | - | - | - | - | - | - | 49,573 |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(10,000)</u> | <u>165,223</u> |
| Net change in fund balance | <u>-</u> | <u>16,346</u> | <u>892</u> | <u>41,716</u> | <u>3,852</u> | <u>16,250</u> | <u>20,816</u> |
| Fund balances - beginning | <u>-</u> | <u>57,299</u> | <u>43,828</u> | <u>96,099</u> | <u>154,654</u> | <u>1,630</u> | <u>300,056</u> |
| Fund balances - ending | <u>\$ -</u> | <u>\$ 73,645</u> | <u>\$ 44,720</u> | <u>\$ 137,815</u> | <u>\$ 158,506</u> | <u>\$ 17,880</u> | <u>\$ 320,872</u> |

| Special Revenue Funds | | | | | | | | Total |
|--|--------------------|-----------------------------------|----------------------|-----------------------|-------------------|---------------------------------|-------------------------|-----------------------------------|
| Transportation Systems Development | Library Reserve | Footpaths and Bicycle Trail | Insurance Reserve | Retirement Reserve | Street Reserve | Fire Station Construction | Debt Service Fund | Nonmajor Governmental Funds |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 134,586 | \$ 134,586 |
| - | - | 1,692 | - | - | - | - | - | 1,692 |
| - | - | - | - | - | - | - | - | 27,993 |
| - | - | - | - | - | - | - | - | 5,629 |
| - | - | - | - | - | - | - | - | 36,510 |
| - | 2,142 | - | - | - | - | - | - | 20,827 |
| 167 | 4,244 | 395 | 506 | 8,003 | 808 | 895 | 2,075 | 47,384 |
| - | - | - | - | - | - | - | - | 6,100 |
| - | - | - | 6,940 | - | - | - | - | 23,670 |
| <u>167</u> | <u>6,386</u> | <u>2,087</u> | <u>7,446</u> | <u>8,003</u> | <u>808</u> | <u>895</u> | <u>136,661</u> | <u>304,391</u> |
| - | - | - | 5,674 | - | - | - | - | 60,317 |
| - | - | - | - | - | - | - | - | 76,033 |
| - | - | - | - | - | 12,710 | - | - | 12,710 |
| - | 12,259 | - | - | - | - | - | - | 71,351 |
| - | - | - | - | - | - | - | 150,290 | 150,290 |
| - | 1,664 | - | - | - | - | 21,158 | - | 30,343 |
| - | <u>13,923</u> | - | <u>5,674</u> | - | <u>12,710</u> | <u>21,158</u> | <u>150,290</u> | <u>401,044</u> |
| <u>167</u> | <u>(7,537)</u> | <u>2,087</u> | <u>1,772</u> | <u>8,003</u> | <u>(11,902)</u> | <u>(20,263)</u> | <u>(13,629)</u> | <u>(96,653)</u> |
| - | - | - | - | 42,595 | 10,000 | - | - | 168,245 |
| - | - | - | - | - | - | (28,350) | - | (38,350) |
| - | - | - | - | - | - | - | - | 49,573 |
| - | - | - | - | <u>42,595</u> | <u>10,000</u> | <u>(28,350)</u> | - | <u>179,468</u> |
| 167 | (7,537) | 2,087 | 1,772 | 50,598 | (1,902) | (48,613) | (13,629) | 82,815 |
| <u>3,736</u> | <u>97,552</u> | <u>8,138</u> | <u>10,877</u> | <u>164,213</u> | <u>20,696</u> | <u>48,613</u> | <u>13,243</u> | <u>1,020,634</u> |
| <u>\$ 3,903</u> | <u>\$ 90,015</u> | <u>\$ 10,225</u> | <u>\$ 12,649</u> | <u>\$ 214,811</u> | <u>\$ 18,794</u> | <u>\$ -</u> | <u>\$ (386)</u> | <u>\$ 1,103,449</u> |

CITY OF TOLEDO
Lincoln County, Oregon

COMBINING STATEMENT OF NET ASSETS

INTERNAL SERVICE FUNDS

June 30, 2008

| | Public Works Fund | Public Works Equipment Reserve Fund | Total |
|---|----------------------|---|------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ - | \$ 126,392 | \$ 126,392 |
| Receivable, net | - | 6,243 | 6,243 |
| Total current assets | - | 132,635 | 132,635 |
| Capital assets, net of accumulated depreciation | 521,715 | - | 521,715 |
| Total assets | 521,715 | 132,635 | 654,350 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | 6,521 | - | 6,521 |
| Compensated absences | 21,489 | - | 21,489 |
| Total current liabilities | 28,010 | - | 28,010 |
| NET ASSETS | | | |
| Invested in capital assets | 521,715 | - | 521,715 |
| Restricted for other projects | - | 132,635 | 132,635 |
| Unrestricted | (28,010) | - | (28,010) |
| Total net assets | \$ 493,705 | \$ 132,635 | \$ 626,340 |

CITY OF TOLEDO
Lincoln County, Oregon

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2008

| | <u>Public Works Fund</u> | <u>Public Works Equipment Reserve Fund</u> | <u>Total</u> |
|--|------------------------------|--|-------------------|
| Operating revenues | \$ - | \$ - | \$ - |
| Operating expenses | | | |
| Cost of sales and services | 674,024 | - | 674,024 |
| Depreciation | <u>40,627</u> | <u>-</u> | <u>40,627</u> |
| Total operating expenses | <u>714,651</u> | <u>-</u> | <u>714,651</u> |
| Operating income (loss) | <u>(714,651)</u> | <u>-</u> | <u>(714,651)</u> |
| Nonoperating revenues (expenses) | | | |
| Investment earnings | - | 4,746 | 4,746 |
| Miscellaneous | <u>6,665</u> | <u>12,657</u> | <u>19,322</u> |
| Total nonoperating revenues (expenses) | <u>6,665</u> | <u>17,403</u> | <u>24,068</u> |
| Income (loss) before contributions and transfers | (707,986) | 17,403 | (690,583) |
| Capital contributions | 5,537 | - | 5,537 |
| Transfers in | 676,055 | 24,510 | 700,565 |
| Transfers out | <u>(11,110)</u> | <u>(5,537)</u> | <u>(16,647)</u> |
| Change in net assets | (37,504) | 36,376 | (1,128) |
| Total net assets - beginning, as restated | <u>531,209</u> | <u>96,259</u> | <u>627,468</u> |
| Total net assets - ending | <u>\$ 493,705</u> | <u>\$ 132,635</u> | <u>\$ 626,340</u> |

CITY OF TOLEDO
Lincoln County, Oregon

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2008

| | Public Works Fund | Public Works Equipment Reserve Fund | Total |
|---|----------------------|---|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from customers | \$ - | \$ 6,243 | \$ 6,243 |
| Cash payments to employees | (407,034) | - | (407,034) |
| Cash payments to suppliers | (287,456) | - | (287,456) |
| Net cash provided (used) by operating activities | (694,490) | 6,243 | (688,247) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfers from other funds | 676,055 | 24,510 | 700,565 |
| Transfers to other funds | (11,110) | (5,537) | (16,647) |
| Miscellaneous | 19,151 | 170 | 19,321 |
| Contributions | 5,537 | - | 5,537 |
| Net cash provided (used) by noncapital financing activities | 689,633 | 19,143 | 708,776 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Proceeds from sale of capital assets | - | - | - |
| Net cash provided (used) by capital and related financing activities | - | - | - |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest income | - | 4,746 | 4,746 |
| Net cash provided (used) by investing activities | - | 4,746 | 4,746 |
| Net increase (decrease) in cash and cash equivalents | (4,857) | 30,132 | 25,275 |
| Cash and cash equivalents - beginning | 4,857 | 96,260 | 101,117 |
| Cash and cash equivalents - ending | \$ - | \$ 126,392 | \$ 126,392 |

(Continued)

CITY OF TOLEDO
Lincoln County, Oregon

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2008

(Continued)

| | Public Works Fund | Public Works Equipment Reserve Fund | Total |
|--|----------------------|---|--------------|
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | | | |
| Operating income (loss) | \$ (714,651) | \$ - | \$ (714,651) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities | | | |
| Depreciation | 40,627 | - | 40,627 |
| Increase (decrease) in Receivables | - | 6,243 | 6,243 |
| (Increase) decrease in Accounts payable | (23,051) | - | (23,051) |
| Compensated absences payable | 2,585 | - | 2,585 |
| Net cash provided (used) by operating activities | \$ (694,490) | \$ 6,243 | \$ (688,247) |

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

FORFEITURE REVENUE FUND

For the Year Ended June 30, 2008

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual | |
|--|---------------------------------|---|-----------------|---------------|
| | | | Budget Basis | GAAP Basis |
| REVENUES | | | | |
| Forfeitures | \$ 20,000 | \$ (20,000) | \$ - | \$ - |
| EXPENDITURES | | | | |
| Current | | | | |
| Materials and services | <u>20,000</u> | <u>(20,000)</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | - | - | - | - |
| Fund balances - beginning | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

GRANTS FUND

For the Year Ended June 30, 2008

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual | |
|--|---------------------------------|---|------------------|------------------|
| | | | Budget Basis | GAAP Basis |
| REVENUES | | | | |
| Grants | \$ 287,550 | \$ (271,365) | \$ 16,185 | \$ 16,185 |
| Investment earnings | 2,000 | 858 | 2,858 | 2,858 |
| Total revenues | <u>289,550</u> | <u>(270,507)</u> | <u>19,043</u> | <u>19,043</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Materials and services | 75,000 | (74,817) | 183 | 183 |
| Capital outlay | <u>285,000</u> | <u>(282,486)</u> | <u>2,514</u> | <u>2,514</u> |
| Total expenditures | <u>360,000</u> | <u>(357,303)</u> | <u>2,697</u> | <u>2,697</u> |
| Excess (deficiency) of revenues over (under) expenditures | (70,450) | 86,796 | 16,346 | 16,346 |
| Fund balances - beginning | <u>70,450</u> | <u>(13,151)</u> | <u>57,299</u> | <u>57,299</u> |
| Fund balances - ending | <u>\$ -</u> | <u>\$ 73,645</u> | <u>\$ 73,645</u> | <u>\$ 73,645</u> |

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

PROJECTS FUND

For the Year Ended June 30, 2008

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual | |
|--|---------------------------------|---|------------------|------------------|
| | | | Budget Basis | GAAP Basis |
| REVENUES | | | | |
| Grants | \$ 200,000 | \$ (200,000) | \$ - | \$ - |
| Investment earnings | 1,500 | 510 | 2,010 | 2,010 |
| Rents and leases | 6,050 | 50 | 6,100 | 6,100 |
| Other revenue | 10,000 | (8,500) | 1,500 | 1,500 |
| Total revenues | <u>217,550</u> | <u>(207,940)</u> | <u>9,610</u> | <u>9,610</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Materials and services | 25,020 | (20,035) | 4,985 | 4,985 |
| Capital outlay | 230,000 | (226,267) | 3,733 | 3,733 |
| Total expenditures | <u>255,020</u> | <u>(246,302)</u> | <u>8,718</u> | <u>8,718</u> |
| Excess (deficiency) of revenues over (under) expenditures | (37,470) | 38,362 | 892 | 892 |
| Fund balances - beginning | <u>37,470</u> | <u>6,358</u> | <u>43,828</u> | <u>43,828</u> |
| Fund balances - ending | <u>\$ -</u> | <u>\$ 44,720</u> | <u>\$ 44,720</u> | <u>\$ 44,720</u> |

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

HUD FUND

For the Year Ended June 30, 2008

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual | |
|--|---------------------------------|---|-----------------|---------------|
| | | | Budget Basis | GAAP Basis |
| REVENUES | | | | |
| Loan repayments | \$ - | \$ 36,510 | \$ 36,510 | \$ - |
| Investment earnings | 5,000 | 315 | 5,315 | - |
| Total revenues | 5,000 | 36,825 | 41,825 | - |
| EXPENDITURES | | | | |
| Current | | | | |
| Materials and services | 10,000 | (9,891) | 109 | - |
| Capital outlay | 89,880 | (89,880) | - | - |
| Total expenditures | 99,880 | (99,771) | 109 | - |
| Excess (deficiency) of revenues over (under) expenditures | (94,880) | 136,596 | 41,716 | - |
| Fund balances - beginning | 94,880 | 1,219 | 96,099 | - |
| Fund balances - ending | \$ - | \$ 137,815 | \$ 137,815 | \$ - |

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

SOLID WASTE FUND

For the Year Ended June 30, 2008

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual | |
|--|---------------------------------|---|-------------------|---------------|
| | | | Budget Basis | GAAP Basis |
| REVENUES | | | | |
| Licenses, permits, and fees | \$ 6,000 | \$ (371) | \$ 5,629 | \$ - |
| Investment earnings | <u>7,500</u> | <u>(623)</u> | <u>6,877</u> | <u>-</u> |
| Total revenues | 13,500 | (994) | 12,506 | - |
| EXPENDITURES | | | | |
| Current | | | | |
| Materials and services | <u>168,300</u> | <u>(159,646)</u> | <u>8,654</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | (154,800) | 158,652 | 3,852 | - |
| Fund balances - beginning | <u>154,800</u> | <u>(146)</u> | <u>154,654</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 154,800</u> | <u>\$ (146)</u> | <u>\$ 158,506</u> | <u>\$ -</u> |

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

911 SYSTEM FUND

For the Year Ended June 30, 2008

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual | | GAAP Basis |
|--|---------------------------------|---|------------------|-------------|------------------|
| | | | Budget Basis | Adjustments | |
| REVENUES | | | | | |
| Privilege taxes | \$ 16,100 | \$ 11,893 | \$ 27,993 | \$ - | \$ 27,993 |
| Investment earnings | <u>500</u> | <u>(121)</u> | <u>379</u> | <u>-</u> | <u>379</u> |
| Total revenues | <u>16,600</u> | <u>11,772</u> | <u>28,372</u> | <u>-</u> | <u>28,372</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Materials and services | 2,000 | (1,152) | 848 | - | 848 |
| Capital outlay | <u>6,035</u> | <u>(4,761)</u> | <u>1,274</u> | <u>-</u> | <u>1,274</u> |
| Total expenditures | <u>8,035</u> | <u>(5,913)</u> | <u>2,122</u> | <u>-</u> | <u>2,122</u> |
| Excess (deficiency) of revenues over (under) expenditures | 8,565 | 17,685 | 26,250 | - | 26,250 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers out | <u>(10,000)</u> | <u>-</u> | <u>(10,000)</u> | <u>-</u> | <u>(10,000)</u> |
| Net change in fund balance | (1,435) | 17,685 | 16,250 | - | 16,250 |
| Fund balances - beginning | <u>1,435</u> | <u>195</u> | <u>1,630</u> | <u>-</u> | <u>1,630</u> |
| Fund balances - ending | <u>\$ -</u> | <u>\$ 17,880</u> | <u>\$ 17,880</u> | <u>\$ -</u> | <u>\$ 17,880</u> |

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

GENERAL RESERVE FUND

For the Year Ended June 30, 2008

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual | | GAAP Basis |
|--|---------------------------------|---|-------------------|-------------|-------------------|
| | | | Budget Basis | Adjustments | |
| REVENUES | | | | | |
| Grants | \$ - | \$ 2,500 | \$ 2,500 | \$ - | \$ 2,500 |
| Investment earnings | 19,400 | (6,548) | 12,852 | - | 12,852 |
| Other revenue | <u>-</u> | <u>15,230</u> | <u>15,230</u> | <u>-</u> | <u>15,230</u> |
| Total revenues | 19,400 | 11,182 | 30,582 | - | 30,582 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Materials and services | <u>457,820</u> | <u>(282,831)</u> | <u>174,989</u> | <u>-</u> | <u>174,989</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(438,420)</u> | <u>294,013</u> | <u>(144,407)</u> | <u>-</u> | <u>(144,407)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 117,650 | (2,000) | 115,650 | - | 115,650 |
| Sale of capital assets | <u>20,000</u> | <u>29,573</u> | <u>49,573</u> | <u>-</u> | <u>49,573</u> |
| Total other financing sources (uses) | <u>137,650</u> | <u>27,573</u> | <u>165,223</u> | <u>-</u> | <u>165,223</u> |
| Net change in fund balance | (300,770) | 321,586 | 20,816 | - | 20,816 |
| Fund balances - beginning | <u>300,770</u> | <u>(714)</u> | <u>300,056</u> | <u>-</u> | <u>300,056</u> |
| Fund balances - ending | <u>\$ -</u> | <u>\$ 320,872</u> | <u>\$ 320,872</u> | <u>\$ -</u> | <u>\$ 320,872</u> |

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

TRANSPORTATION SYSTEMS DEVELOPMENT FUND

For the Year Ended June 30, 2008

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual | | GAAP Basis |
|--|---------------------------------|---|-----------------|-------------|-----------------|
| | | | Budget Basis | Adjustments | |
| REVENUES | | | | | |
| Investment earnings | \$ 200 | \$ (33) | \$ 167 | \$ - | \$ 167 |
| EXPENDITURES | | | | | |
| Capital outlay | <u>3,940</u> | <u>(3,940)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | (3,740) | 3,907 | 167 | - | 167 |
| Fund balances - beginning | <u>3,740</u> | <u>(4)</u> | <u>3,736</u> | <u>-</u> | <u>3,736</u> |
| Fund balances - ending | <u>\$ -</u> | <u>\$ 3,903</u> | <u>\$ 3,903</u> | <u>\$ -</u> | <u>\$ 3,903</u> |

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

LIBRARY RESERVE FUND

For the Year Ended June 30, 2008

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual | |
|--|---------------------------------|---|------------------|------------------|
| | | | Budget Basis | GAAP Basis |
| REVENUES | | | | |
| Grants | \$ 10,000 | \$ (7,858) | \$ 2,142 | \$ 2,142 |
| Investment earnings | <u>4,200</u> | <u>44</u> | <u>4,244</u> | <u>4,244</u> |
| Total revenues | <u>14,200</u> | <u>(7,814)</u> | <u>6,386</u> | <u>6,386</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Materials and services | 49,800 | (37,541) | 12,259 | 12,259 |
| Capital outlay | <u>50,000</u> | <u>(48,336)</u> | <u>1,664</u> | <u>1,664</u> |
| Total expenditures | <u>99,800</u> | <u>(85,877)</u> | <u>13,923</u> | <u>13,923</u> |
| Excess (deficiency) of revenues over (under) expenditures | (85,600) | 78,063 | (7,537) | (7,537) |
| Fund balances - beginning | <u>85,600</u> | <u>11,952</u> | <u>97,552</u> | <u>97,552</u> |
| Fund balances - ending | <u>\$ -</u> | <u>\$ 90,015</u> | <u>\$ 90,015</u> | <u>\$ 90,015</u> |

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

FOOTPATHS AND BICYCLE TRAIL FUND

For the Year Ended June 30, 2008

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual | | GAAP Basis |
|--|---------------------------------|---|------------------|-------------|------------------|
| | | | Budget Basis | Adjustments | |
| REVENUES | | | | | |
| Motor fuel taxes | \$ 1,645 | \$ 47 | \$ 1,692 | \$ - | \$ 1,692 |
| Investment earnings | <u>400</u> | <u>(5)</u> | <u>395</u> | <u>-</u> | <u>395</u> |
| Total revenues | 2,045 | 42 | 2,087 | - | 2,087 |
| EXPENDITURES | | | | | |
| Capital outlay | <u>10,110</u> | <u>(10,110)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | (8,065) | 10,152 | 2,087 | - | 2,087 |
| Fund balances - beginning | <u>8,065</u> | <u>73</u> | <u>8,138</u> | <u>-</u> | <u>8,138</u> |
| Fund balances - ending | <u>\$ -</u> | <u>\$ 10,225</u> | <u>\$ 10,225</u> | <u>\$ -</u> | <u>\$ 10,225</u> |

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

INSURANCE RESERVE FUND

For the Year Ended June 30, 2008

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual | |
|--|---------------------------------|---|------------------|------------------|
| | | | Budget Basis | GAAP Basis |
| REVENUES | | | | |
| Investment earnings | \$ 450 | \$ 56 | \$ 506 | \$ 506 |
| Other revenue | <u>10,000</u> | <u>(3,060)</u> | <u>6,940</u> | <u>6,940</u> |
| Total revenues | <u>10,450</u> | <u>(3,004)</u> | <u>7,446</u> | <u>7,446</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Materials and services | 9,650 | (3,976) | 5,674 | 5,674 |
| Capital outlay | <u>10,000</u> | <u>(10,000)</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>19,650</u> | <u>(13,976)</u> | <u>5,674</u> | <u>5,674</u> |
| Excess (deficiency) of revenues over (under) expenditures | (9,200) | 10,972 | 1,772 | 1,772 |
| Fund balances - beginning | <u>9,200</u> | <u>1,677</u> | <u>10,877</u> | <u>10,877</u> |
| Fund balances - ending | <u>\$ -</u> | <u>\$ 12,649</u> | <u>\$ 12,649</u> | <u>\$ 12,649</u> |

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

RETIREMENT RESERVE FUND

For the Year Ended June 30, 2008

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual | | |
|--|---------------------------------|---|-----------------|---------------|------------|
| | | | Budget Basis | GAAP Basis | |
| | | | Adjustments | | |
| REVENUES | | | | | |
| Investment earnings | \$ 10,000 | \$ (1,997) | \$ 8,003 | \$ - | \$ 8,003 |
| EXPENDITURES | - | - | - | - | - |
| Excess (deficiency) of revenues over (under) expenditures | 10,000 | (1,997) | 8,003 | - | 8,003 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 42,595 | - | 42,595 | - | 42,595 |
| Net change in fund balance | 52,595 | (1,997) | 50,598 | - | 50,598 |
| Fund balances - beginning | 163,850 | 363 | 164,213 | - | 164,213 |
| Fund balances - ending | \$ 216,445 | \$ (1,634) | \$ 214,811 | \$ - | \$ 214,811 |

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

STREET RESERVE FUND

For the Year Ended June 30, 2008

| | <u>Original and Final Budget</u> | <u>Variance with Final Budget Over (Under)</u> | <u>Budget Basis</u> | <u>Actual Adjustments</u> | <u>GAAP Basis</u> |
|--|--|--|-------------------------|-------------------------------|-----------------------|
| REVENUES | | | | | |
| Investment earnings | \$ 1,500 | \$ (692) | \$ 808 | \$ - | \$ 808 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Materials and services | <u>15,000</u> | <u>(2,290)</u> | <u>12,710</u> | <u>-</u> | <u>12,710</u> |
| Excess (deficiency) of revenues over (under) expenditures | (13,500) | 1,598 | (11,902) | - | (11,902) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | <u>10,000</u> | <u>-</u> | <u>10,000</u> | <u>-</u> | <u>10,000</u> |
| Net change in fund balance | (3,500) | 1,598 | (1,902) | - | (1,902) |
| Fund balances - beginning | <u>3,500</u> | <u>17,196</u> | <u>20,696</u> | <u>-</u> | <u>20,696</u> |
| Fund balances - ending | <u>\$ -</u> | <u>\$ 18,794</u> | <u>\$ 18,794</u> | <u>\$ -</u> | <u>\$ 18,794</u> |

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

FIRE STATION CONSTRUCTION FUND

For the Year Ended June 30, 2008

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Variance with Final Budget Over (Under)</u> |
|--|----------------------------|-------------------------|--|
| REVENUES | | | |
| Investment earnings | \$ 1,250 | \$ 1,250 | \$ (355) |
| EXPENDITURES | | | |
| Capital outlay | <u>20,000</u> | <u>22,000</u> | <u>(842)</u> |
| Excess (deficiency) of revenues over (under) expenditures | (18,750) | (20,750) | 487 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers out | <u>(30,350)</u> | <u>(28,350)</u> | <u>-</u> |
| Net change in fund balance | (49,100) | (49,100) | 487 |
| Fund balances - beginning | <u>49,100</u> | <u>49,100</u> | <u>(487)</u> |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

| Budget Basis | Actual | | GAAP Basis |
|-----------------|-------------|--|-----------------|
| | Adjustments | | |
| \$ 895 | \$ - | | \$ 895 |
| <u>21,158</u> | <u>-</u> | | <u>21,158</u> |
| (20,263) | - | | (20,263) |
| <u>(28,350)</u> | <u>-</u> | | <u>(28,350)</u> |
| (48,613) | - | | (48,613) |
| <u>48,613</u> | <u>-</u> | | <u>48,613</u> |
| <u>\$ -</u> | <u>\$ -</u> | | <u>\$ -</u> |

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

DEBT SERVICE FUND

For the Year Ended June 30, 2008

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual | |
|--|---------------------------------|---|-----------------|-----------------|
| | | | Budget Basis | GAAP Basis |
| REVENUES | | | | |
| Property taxes | \$ 137,850 | \$ (3,264) | \$ 134,586 | \$ 134,586 |
| Investment earnings | <u>2,800</u> | <u>(725)</u> | <u>2,075</u> | <u>2,075</u> |
| Total revenues | 140,650 | (3,989) | 136,661 | 136,661 |
| EXPENDITURES | | | | |
| Debt service | <u>150,290</u> | <u>-</u> | <u>150,290</u> | <u>150,290</u> |
| Excess (deficiency) of revenues over (under) expenditures | (9,640) | (3,989) | (13,629) | (13,629) |
| Fund balances - beginning | <u>9,640</u> | <u>3,603</u> | <u>13,243</u> | <u>13,243</u> |
| Fund balances - ending | <u>\$ -</u> | <u>\$ (386)</u> | <u>\$ (386)</u> | <u>\$ (386)</u> |

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
 BUDGET AND ACTUAL

WATER FUND

For the Year Ended June 30, 2008

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual | | GAAP Basis |
|---|---------------------------------|---|-------------------|---------------------|---------------------|
| | | | Budget Basis | Adjustments | |
| Operating revenues | | | | | |
| Water sales | \$ 452,750 | \$ 29,769 | \$ 482,519 | \$ - | \$ 482,519 |
| Water sales - Seal Rock | 259,000 | (11,902) | 247,098 | - | 247,098 |
| Fees and charges | 18,500 | 7,325 | 25,825 | - | 25,825 |
| Rents and leases | 6,480 | 1,080 | 7,560 | - | 7,560 |
| Total operating revenues | <u>736,730</u> | <u>26,272</u> | <u>763,002</u> | <u>-</u> | <u>763,002</u> |
| Operating expenses | | | | | |
| Water plant | 336,807 | (8,829) | 327,978 | (104,541) | 223,437 |
| Water distribution | 439,924 | (79,681) | 360,243 | (196,182) | 164,061 |
| Total operating expenses | <u>776,731</u> | <u>(88,510)</u> | <u>688,221</u> | <u>(300,723)</u> | <u>387,498</u> |
| Operating income (loss) | <u>(40,001)</u> | <u>114,782</u> | <u>74,781</u> | <u>300,723</u> | <u>375,504</u> |
| Nonoperating revenues (expenses) | | | | | |
| Investment earnings | 1,500 | 1,178 | 2,678 | - | 2,678 |
| Miscellaneous | 1,000 | (141) | 859 | - | 859 |
| Total nonoperating revenues (expenses) | <u>2,500</u> | <u>1,037</u> | <u>3,537</u> | <u>-</u> | <u>3,537</u> |
| Income (loss) before contributions and transfers | (37,501) | 115,819 | 78,318 | 300,723 | 379,041 |
| Capital contributions | - | - | - | 96,447 | 96,447 |
| Transfers out | - | - | - | (416,923) | (416,923) |
| Change in net assets | (37,501) | 115,819 | 78,318 | (19,753) | 58,565 |
| Total net assets - beginning, as restated | <u>37,501</u> | <u>63,099</u> | <u>100,600</u> | <u>1,513,904</u> | <u>1,614,504</u> |
| Total net assets - ending | <u>\$ -</u> | <u>\$ 178,918</u> | <u>\$ 178,918</u> | <u>\$ 1,494,151</u> | <u>\$ 1,673,069</u> |

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
 BUDGET AND ACTUAL

SEWER FUND

For the Year Ended June 30, 2008

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Variance with Final Budget Over (Under)</u> |
|--|----------------------------|-------------------------|--|
| Operating revenues | | | |
| User fees | \$ 712,060 | \$ 712,060 | \$ (38,262) |
| Operating expenses | | | |
| Sewer plant | 423,879 | 428,879 | (9,090) |
| Sewer collection | <u>306,432</u> | <u>301,432</u> | <u>(65,099)</u> |
| Total operating expenses | <u>730,311</u> | <u>730,311</u> | <u>(74,189)</u> |
| Operating income (loss) | <u>(18,251)</u> | <u>(18,251)</u> | <u>35,927</u> |
| Nonoperating revenues (expenses) | | | |
| Investment earnings | 750 | 750 | (332) |
| Miscellaneous | <u>2,000</u> | <u>2,000</u> | <u>991</u> |
| Total nonoperating revenues (expenses) | <u>2,750</u> | <u>2,750</u> | <u>659</u> |
| Income (loss) before contributions and transfers | (15,501) | (15,501) | 36,586 |
| Capital contributions | - | - | - |
| Transfers out | <u>-</u> | <u>-</u> | <u>-</u> |
| Change in net assets | (15,501) | (15,501) | 36,586 |
| Total net assets - beginning, as restated | <u>15,501</u> | <u>15,501</u> | <u>23,339</u> |
| Total net assets - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 59,925</u> |

| Budget Basis | Actual | |
|-------------------|---------------------|---------------------|
| | Adjustments | GAAP Basis |
| <u>\$ 673,798</u> | <u>\$ -</u> | <u>\$ 673,798</u> |
| 419,789 | 158,261 | 578,050 |
| <u>236,333</u> | <u>(162,160)</u> | <u>74,173</u> |
| <u>656,122</u> | <u>(3,899)</u> | <u>652,223</u> |
| <u>17,676</u> | <u>3,899</u> | <u>21,575</u> |
| 418 | - | 418 |
| <u>2,991</u> | <u>-</u> | <u>2,991</u> |
| <u>3,409</u> | <u>-</u> | <u>3,409</u> |
| 21,085 | 3,899 | 24,984 |
| - | 27,375 | 27,375 |
| <u>-</u> | <u>(231,698)</u> | <u>(231,698)</u> |
| 21,085 | (200,424) | (179,339) |
| <u>38,840</u> | <u>4,757,920</u> | <u>4,796,760</u> |
| <u>\$ 59,925</u> | <u>\$ 4,557,496</u> | <u>\$ 4,617,421</u> |

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
 BUDGET AND ACTUAL

WATER RESERVE FUND

For the Year Ended June 30, 2008

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual | | GAAP Basis |
|--|---------------------------------|---|-------------------|-----------------|-------------------|
| | | | Budget Basis | Adjustments | |
| Operating revenues | \$ - | \$ - | \$ - | \$ - | \$ - |
| Operating expenses | | | | | |
| Materials and services | 40,000 | (22,865) | 17,135 | - | 17,135 |
| Capital outlay | <u>302,240</u> | <u>(205,793)</u> | <u>96,447</u> | <u>(96,447)</u> | <u>-</u> |
| Total operating expenses | <u>342,240</u> | <u>(228,658)</u> | <u>113,582</u> | <u>(96,447)</u> | <u>17,135</u> |
| Operating income (loss) | <u>(342,240)</u> | <u>228,658</u> | <u>(113,582)</u> | <u>96,447</u> | <u>(17,135)</u> |
| Nonoperating revenues (expenses) | | | | | |
| Intergovernmental | - | 17,457 | 17,457 | - | 17,457 |
| Investment earnings | 15,000 | (1,304) | 13,696 | - | 13,696 |
| Miscellaneous | <u>-</u> | <u>12,239</u> | <u>12,239</u> | <u>-</u> | <u>12,239</u> |
| Total nonoperating revenues (expenses) | <u>15,000</u> | <u>28,392</u> | <u>43,392</u> | <u>-</u> | <u>43,392</u> |
| Income (loss) before transfers | (327,240) | 257,050 | (70,190) | 96,447 | 26,257 |
| Transfers out | <u>-</u> | <u>-</u> | <u>-</u> | <u>(96,447)</u> | <u>(96,447)</u> |
| Change in net assets | (327,240) | 257,050 | (70,190) | - | (70,190) |
| Total net assets - beginning | <u>327,240</u> | <u>14,828</u> | <u>342,068</u> | <u>-</u> | <u>342,068</u> |
| Total net assets - ending | <u>\$ -</u> | <u>\$ 271,878</u> | <u>\$ 271,878</u> | <u>\$ -</u> | <u>\$ 271,878</u> |

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
 BUDGET AND ACTUAL

WATER SYSTEM DEVELOPMENT FUND

For the Year Ended June 30, 2008

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual | | GAAP Basis |
|----------------------------------|---------------------------------|---|-------------------|-------------|-------------------|
| | | | Budget Basis | Adjustments | |
| Operating revenues | | | | | |
| Fees and charges | \$ 7,000 | \$ 6,881 | \$ 13,881 | \$ - | \$ 13,881 |
| Operating expenses | | | | | |
| Capital outlay | <u>210,300</u> | <u>(210,300)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Operating income (loss) | (203,300) | 217,181 | 13,881 | - | 13,881 |
| Nonoperating revenues (expenses) | | | | | |
| Investment earnings | <u>9,600</u> | <u>(471)</u> | <u>9,129</u> | <u>-</u> | <u>9,129</u> |
| Change in net assets | (193,700) | 216,710 | 23,010 | - | 23,010 |
| Total net assets - beginning | <u>193,700</u> | <u>2,087</u> | <u>195,787</u> | <u>-</u> | <u>195,787</u> |
| Total net assets - ending | <u>\$ -</u> | <u>\$ 218,797</u> | <u>\$ 218,797</u> | <u>\$ -</u> | <u>\$ 218,797</u> |

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
 BUDGET AND ACTUAL

SEWER RESERVE FUND

For the Year Ended June 30, 2008

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual | | GAAP Basis |
|--|---------------------------------|---|-------------------|-----------------|-------------------|
| | | | Budget Basis | Adjustments | |
| Operating revenues | \$ - | \$ - | \$ - | \$ - | \$ - |
| Operating expenses | | | | | |
| Materials and services | 50,000 | (49,273) | 727 | - | 727 |
| Capital outlay | <u>212,685</u> | <u>(182,389)</u> | <u>30,296</u> | <u>(27,375)</u> | <u>2,921</u> |
| Total operating expenses | <u>262,685</u> | <u>(231,662)</u> | <u>31,023</u> | <u>(27,375)</u> | <u>3,648</u> |
| Operating income (loss) | <u>(262,685)</u> | <u>231,662</u> | <u>(31,023)</u> | <u>27,375</u> | <u>(3,648)</u> |
| Nonoperating revenues (expenses) | | | | | |
| Investment earnings | 13,000 | (1,500) | 11,500 | - | 11,500 |
| Miscellaneous | <u>-</u> | <u>1,749</u> | <u>1,749</u> | <u>-</u> | <u>1,749</u> |
| Total nonoperating revenues (expenses) | <u>13,000</u> | <u>249</u> | <u>13,249</u> | <u>-</u> | <u>13,249</u> |
| Income (loss) before transfers | (249,685) | 231,911 | (17,774) | 27,375 | 9,601 |
| Transfers out | <u>-</u> | <u>-</u> | <u>-</u> | <u>(27,375)</u> | <u>(27,375)</u> |
| Change in net assets | (249,685) | 231,911 | (17,774) | - | (17,774) |
| Total net assets - beginning | <u>249,685</u> | <u>16,241</u> | <u>265,926</u> | <u>-</u> | <u>265,926</u> |
| Total net assets - ending | <u>\$ -</u> | <u>\$ 248,152</u> | <u>\$ 248,152</u> | <u>\$ -</u> | <u>\$ 248,152</u> |

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
 BUDGET AND ACTUAL

SEWER SYSTEM DEVELOPMENT FUND

For the Year Ended June 30, 2008

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual | | GAAP Basis |
|----------------------------------|---------------------------------|---|------------------|-------------|------------------|
| | | | Budget Basis | Adjustments | |
| Operating revenues | | | | | |
| Fees and charges | \$ 5,000 | \$ 4,633 | \$ 9,633 | \$ - | \$ 9,633 |
| Operating expenses | | | | | |
| Capital outlay | <u>47,800</u> | <u>(47,800)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Operating income (loss) | (42,800) | 52,433 | 9,633 | - | 9,633 |
| Nonoperating revenues (expenses) | | | | | |
| Investment earnings | <u>2,000</u> | <u>261</u> | <u>2,261</u> | <u>-</u> | <u>2,261</u> |
| Change in net assets | (40,800) | 52,694 | 11,894 | - | 11,894 |
| Total net assets - beginning | <u>40,800</u> | <u>3,664</u> | <u>44,464</u> | <u>-</u> | <u>44,464</u> |
| Total net assets - ending | <u>\$ -</u> | <u>\$ 56,358</u> | <u>\$ 56,358</u> | <u>\$ -</u> | <u>\$ 56,358</u> |

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
 BUDGET AND ACTUAL

PUBLIC WORKS FUND

For the Year Ended June 30, 2008

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual | | GAAP Basis |
|---|---------------------------------|---|-------------------|-------------------|-------------------|
| | | | Budget Basis | Adjustments | |
| Operating revenues | \$ - | \$ - | \$ - | \$ - | \$ - |
| Operating expenses | | | | | |
| Personal services | 571,890 | (3,985) | 567,905 | (2,584) | 565,321 |
| Materials and services | 109,410 | (706) | 108,704 | 40,626 | 149,330 |
| Capital outlay | 4,500 | (3,004) | 1,496 | (1,496) | - |
| Contingency | 25,000 | (25,000) | - | - | - |
| Total operating expenses | <u>710,800</u> | <u>(32,695)</u> | <u>678,105</u> | <u>36,546</u> | <u>714,651</u> |
| Operating income (loss) | (710,800) | 32,695 | (678,105) | (36,546) | (714,651) |
| Nonoperating revenues (expenses) | | | | | |
| Miscellaneous | 25,000 | (18,335) | 6,665 | - | 6,665 |
| Income (loss) before contributions and transfers | (685,800) | 14,360 | (671,440) | (36,546) | (707,986) |
| Capital contributions | - | - | - | 5,537 | 5,537 |
| Transfers in | 696,910 | (20,855) | 676,055 | - | 676,055 |
| Transfers out | (11,110) | - | (11,110) | - | (11,110) |
| Change in net assets | - | (6,495) | (6,495) | (31,009) | (37,504) |
| Total net assets - beginning, as restated | <u>-</u> | <u>26</u> | <u>26</u> | <u>531,183</u> | <u>531,209</u> |
| Total net assets - ending | <u>\$ -</u> | <u>\$ (6,469)</u> | <u>\$ (6,469)</u> | <u>\$ 500,174</u> | <u>\$ 493,705</u> |

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
 BUDGET AND ACTUAL

PUBLIC WORKS EQUIPMENT RESERVE FUND

For the Year Ended June 30, 2008

| | Original and Final Budget | Variance with Final Budget Over (Under) | Actual | | GAAP Basis |
|--|---------------------------------|---|-------------------|----------------|-------------------|
| | | | Budget Basis | Adjustments | |
| Operating revenues | \$ - | \$ - | \$ - | \$ - | \$ - |
| Operating expenses | - | - | - | - | - |
| Operating income (loss) | - | - | - | - | - |
| Nonoperating revenues (expenses) | | | | | |
| Investment earnings | 7,000 | (2,254) | 4,746 | - | 4,746 |
| Miscellaneous | - | 12,657 | 12,657 | - | 12,657 |
| Capital outlay | <u>(153,150)</u> | <u>(147,613)</u> | <u>(5,537)</u> | <u>5,537</u> | <u>-</u> |
| Total nonoperating revenues (expenses) | <u>(146,150)</u> | <u>(137,210)</u> | <u>11,866</u> | <u>5,537</u> | <u>17,403</u> |
| Income (loss) before transfers | (146,150) | (137,210) | 11,866 | 5,537 | 17,403 |
| Transfers in | 24,510 | - | 24,510 | - | 24,510 |
| Transfers out | <u>-</u> | <u>-</u> | <u>-</u> | <u>(5,537)</u> | <u>(5,537)</u> |
| Change in net assets | (121,640) | (137,210) | 36,376 | - | 36,376 |
| Total net assets - beginning | <u>121,640</u> | <u>(25,381)</u> | <u>96,259</u> | <u>-</u> | <u>96,259</u> |
| Total net assets - ending | <u>\$ -</u> | <u>\$ (162,591)</u> | <u>\$ 132,635</u> | <u>\$ -</u> | <u>\$ 132,635</u> |

OTHER FINANCIAL SCHEDULES

CITY OF TOLEDO
Lincoln County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2008

| Tax Year | Taxes Receivable July 1, 2007 | 2007-2008 Levy | Adjustments and Discounts | Collections | Taxes Receivable June 30, 2008 |
|--|-------------------------------------|-------------------|---------------------------------|--------------|--------------------------------------|
| 2007-2008 | \$ - | \$ 1,646,130 | \$ (42,358) | \$ 1,535,485 | \$ 68,287 |
| 2006-2007 | 53,832 | - | (455) | 28,222 | 25,155 |
| 2005-2006 | 21,796 | - | (181) | 9,014 | 12,601 |
| 2004-2005 | 10,681 | - | (127) | 6,736 | 3,818 |
| 2003-2004 | 4,165 | - | (112) | 3,023 | 1,030 |
| 2002-2003 | 1,211 | - | (49) | 226 | 936 |
| 2001-2002 | 1,005 | - | (3) | 166 | 836 |
| Prior | 2,617 | - | (223) | 61 | 2,333 |
| Subtotal - Prior | 95,307 | - | (1,150) | 47,448 | 46,709 |
| Total | \$ 95,307 | \$ 1,646,130 | \$ (43,508) | 1,582,933 | \$ 114,996 |
| Add: | | | | | |
| | | | | 1,373 | |
| | | | | - | |
| | | | | 1,584,306 | |
| Less: Turnovers to City | | | | 1,568,476 | |
| Undistributed taxes with county, June 30, 2008 | | | | \$ 15,830 | |

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY FEDERAL AND STATE REGULATIONS**

CITY OF TOLEDO
Lincoln County, Oregon

DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS
REQUIRED BY THE MINIMUM STANDARDS FOR AUDITS OF
OREGON MUNICIPAL CORPORATIONS

June 30, 2008

Oregon Administrative Rules 162-10-050 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy enumerate the financial statements, schedules, comments, and disclosures required in audit reports. The required comments and disclosures not included in preceding sections of this report are set forth as follows:

Statement of Accountability for Independently Elected Officials (OAR 162-10-140)

The City has no independently elected officials who receive or disburse funds.

Accounting and Internal Control Systems (OAR 162-10-230)

In general, the condition of the accounting records and the accounting and internal control systems were adequate for audit purposes. However, we noted certain matters that we have reported to the management of the City in a separate letter dated December 10, 2008.

Collateral (OAR 162-10-240)

Our audit of the City disclosed no instances of noncompliance pertaining to the amount and adequacy of collateral pledged to secure the deposit of public funds.

Indebtedness (OAR 162-10-250)

The City has not exceeded its legal debt limitation as provided in ORS 328.245 and is in compliance with all provisions of bond indentures and other agreements.

Budget (OAR 162-10-260)

The City's compliance with the provisions of the Oregon Statutes as they apply to the preparation, adoption, and execution of the annual budget for the 2007-2008 fiscal year and the preparation and adoption of the annual budget for the 2008-2009 fiscal year was reviewed. No instances of noncompliance were noted.

Insurance and Fidelity Bonds (OAR 162-10-270)

The City's insurance and fidelity bond coverage was reviewed and found to be in compliance with the Oregon Statutes relating thereto. We do not express an opinion as to the adequacy of insurance coverage, since we are not trained in this regard.

Programs Funded From Outside Sources (OAR 162-10-280)

Our audit of the City disclosed no instances of noncompliance with the laws and regulations pertaining to programs funded partially or wholly by other governmental agencies.

Investments (OAR 162-10-300)

Our audit of the City disclosed compliance with the statutes applicable to the investment of public funds.

Public Contracts and Purchasing (OAR 162-10-310)

The City was not in compliance with the provisions of ORS 279 pertaining to the awarding of public contracts and the construction of public improvements.



Shareholders:

Fredrick M. Koontz, CPA
Richard D. Perdue, CPA
Debra L. Blasquez, CPA
Glen O. Kearns, CPA

**Koontz & Perdue, P.C.
Certified Public Accountants**

Staff:

Irina O. Stein, CPA
Kori L. Sarrett, CPA
Deborah L. Wilbur, CPA

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

City Council
City of Toledo
Lincoln County, Oregon

We have audited the basic financial statements of the City of Toledo as of and for the year ended June 30, 2008 and have issued our report thereon dated December 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

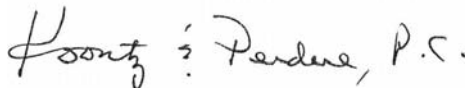
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Toledo's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the City of Toledo in a separate letter dated December 10, 2008.

This report is intended solely for the information and use of management, the city council, and the Oregon Division of Audits and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Koontz & Perdue, P.C.".

Koontz & Perdue, P.C.

Albany, Oregon
December 10, 2008